

# A COLLECTIVE RESPONSIBILITY

SUSTAINABILITY REPORT 2010 **FULL REPORT**

Balfour Beatty is committed to making its success sustainable.

The long-term success of our business depends on us fulfilling our responsibilities to all our stakeholders, which is why our business strategy and sustainability vision are closely aligned.

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# INTRODUCTION

Balfour Beatty is a leading global infrastructure services business. As such, we have a real opportunity – and responsibility – to make a significant, sustainable difference.

Our 2010 Sustainability Report captures our progress during the year as we move further towards achieving our 2020 sustainability vision, clearly identifying work still underway and setting out our plans for the year ahead.

Sustainability reporting is an ongoing process. Through the following pages, we hope to demonstrate what we as a company and as individuals have achieved in the past 12 months in our increasingly diverse operations, which cover multiple geographies. As we work together to embed the collective responsibility to achieve our vision at all levels of the organisation, everyone has a role to play.

Additionally, this year, we have developed a standalone internet site ([www.collectiveresponsibility.net](http://www.collectiveresponsibility.net)), dedicated to sustainability issues, our position and vision, as well as providing a forum for discussion, debate and sharing best practice around key issues.

As well as putting sustainability clearly in the context of our business strategy and the interests and priorities of our customers, we continue to focus on the three key areas of profitable markets, healthy communities and environmental limits. Good progress has been made, but much remains to be done. Our external stakeholder panel has once again helped to scrutinise our work and efforts – and, more importantly, provided candid feedback on our sustainability reporting, which we have built into our ongoing work.

We are particularly thankful for the feedback and improvements suggested by members of the panel: Kate Broome (Network Rail), Hilary Davidson (Duke Energy), Rebeca Esteves (Business in the Community), Dave Farebrother (Land Securities), Ian Gearing (National Grid), Paul Edwards (Hammerson), Tim Goodman (Hermes Equity Ownership Services), Chad Harrell (UK Green Building Council), Will Martin (Environment Agency), Andy Spencer (CEMEX) and Lisa Shpritz (Bank of America). See Appendix for further details of members.

We encourage and welcome dialogue around all areas of sustainability, so please read through the report and visit [www.collectiveresponsibility.net](http://www.collectiveresponsibility.net) to tell us what you think.

# OUR APPROACH TO SUSTAINABILITY

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# OUR APPROACH TO SUSTAINABILITY

During 2010, a good deal of work has been undertaken to embed our sustainability vision, as well as our ethics and values, across all areas of the business. We want to ensure that our people live and breathe our vision and, in turn, apply it in all areas of their work for the benefit of the business, our customers and all the communities in which we operate.

Our sustainability working group completed launch meetings with each operating company's management in June of last year. By July, action plans were developed by each operating company, setting out how they will meet the 2012 targets and other commitments in the roadmap. The plan for Parsons Brinckerhoff has been delayed to incorporate the acquisition of specialist sustainable communities firm Halsall in Canada. Parsons Brinckerhoff already has its own sustainability programme ([www.pbworld.com/sustainability](http://www.pbworld.com/sustainability)) and more time is needed to align this business with the Balfour Beatty roadmap.

In October, we started to track progress against the roadmap for the first time, with each operating company completing self-assessments of their progress against their action plans. You can read more about the progress being made, and the challenges faced by our businesses, by looking at our progress against our roadmap.

The strategic priorities for Balfour Beatty are highlighted below. To achieve this strategy, there is a clear connection between our business strategy, our sustainability vision and our view of the risks and opportunities we face:

Business strategy	Sustainability context, risks and opportunities
1 Develop our business further	<p>Demand for sustainable infrastructure is creating new growth opportunities for us. Our approach to sustainability is a key way of differentiating ourselves in the marketplace and winning new work.</p> <p>As we grow and enter more diverse markets, we need to ensure that all our employees make decisions that prevent us from conducting business unethically or being exposed to potential damage. Our Group values, Code of Conduct and ethics helpline will help us manage these risks.</p>
2 Focus on markets with the greatest opportunities	<p>Increasingly, customers are asking us to deliver more sustainable solutions.</p> <p>The multi-billion pound low-carbon economy also presents us with significant opportunities in fields ranging from new nuclear generation to energy-efficient buildings. Renewable energy, rail and waste infrastructure and the increasing demand for integrated services in the water market are all areas of business that will increase in size and value to us.</p>
3 Improve operational performance and cost-effectiveness	<p>Adequate margins are a prerequisite for investment in long-term sustainability. We aim to operate more efficiently to remain a competitive and sustainable business.</p>
4 Continue to strengthen core skills	<p>Both developed and emerging economies are investing in increasingly complex projects requiring an ever broader range of skills. We aim to ensure that we have these skills across our organisation, and that our future leaders can manage increasing complexity and change across a broader range of countries.</p> <p>Our ability to integrate a range of stakeholders relies on engagement with suppliers and gives us opportunities to innovate for more sustainable outcomes. We anticipate particular opportunities in the low-carbon economy.</p>
5 Continue to show leadership in values and behaviour	<p>As a market-leading business, we are intent on setting the industry standard for ethical conduct, safety and sustainability.</p> <p>Our Code of Conduct, ethics training and Zero Harm vision are essential markers of the standards we set for ourselves and, ultimately, our supply chain.</p> <p>We will differentiate ourselves by embedding sustainability into everything we do as a business by 2020. Over time, our leadership will result in sustainable infrastructure consistently being seen as the best option from an economic, community and environmental perspective.</p>

# HIGHLIGHTS IN 2010

Explaining what we mean by sustainability is only part of our vision. Seeing the vision being translated into action across the businesses and across the world is what really matters.

Throughout this report we have included a small number of examples of our vision in action and achievements across our three core sustainability pillars of profitable markets, healthy communities and environmental limits.

Here are some of the highlights of 2010:

**Entering new markets** As we look to capture the significant opportunities ahead in renewable energy, we were pleased to be named preferred bidder on the world's largest offshore wind farm project at Thanet, in the UK. On financial close, this will see us own, operate and maintain the offshore high-voltage transmission assets of the 300MW capacity scheme

**Helping our customers make sustainable choices** As we look to offer our customers more sustainable solutions, we engaged our business development teams in work-winning workshops to understand how we articulate and promote sustainability in our bids

**Spreading the word across our supply chain** We recognise that sustainability is a collective responsibility and have started to integrate sustainability thinking into our Group procurement processes and continue to engage our supply chain on sustainability

**Engaging our employees** To embed our vision across the Group, we have implemented e-learning programmes around ethics and values and launched a new sustainability course for all our employees

**Doing the right thing** Our values underpin everything we do. During 2010, 70% of businesses started to give the core values presentation to employees

**Achieved external recognition** As we continue to engage effectively with our employees across the world, Balfour Beatty Construction US was ranked 40th in Fortune's 100 Best Places to Work® in the US.

**Safety first** Our commitment to a Zero Harm vision remains. In the Middle East, our joint-venture company BK Gulf achieved 21.4 million man-hours without a reportable incident between October 2009 and November 2010

**Innovating for sustainability** We continue to innovate. Whether this be designing the world's first recycled plastic railway bridges in the US, using recycled glass on our road schemes in the UK, building noise barriers incorporating our office waste in Hong Kong or pioneering new bridge strengthening techniques in the UK

**Helping communities live within environmental limits** Though our focus on energy reduction, we provided street lighting for Coventry City Council, in the UK, that will result in a 38% reduction in carbon emissions. In Queensland, Australia we designed and project-managed a wastewater recycling plant producing water for industrial use to counter ongoing droughts.

Along with these highlights, there are areas of our performance that we fell short on in 2010. These include:

The tragic loss of five lives due to workplace accidents

We were also fined GBP 38,840 equivalent in 2010 for health and safety offences, up from GBP 13,400 the year before

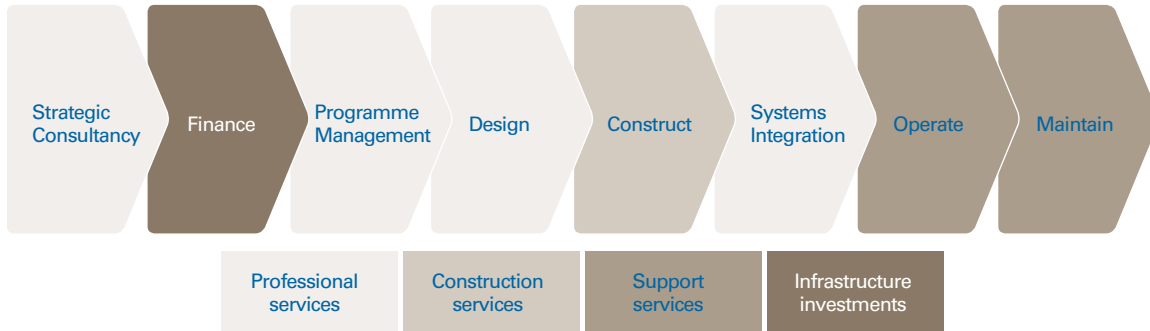
Our carbon emissions (CO<sub>2</sub>e), water use and waste to landfill all increased in both absolute terms and normalised against revenue. 2010 was our baseline year for these key performance indicators and we will need to work hard to achieve the 2012 targets we have set ourselves

Our procurement of responsibly-sourced timber also declined versus the previous year

Our exclusion from the Dow Jones Sustainability Index.

# ABOUT BALFOUR BEATTY

Balfour Beatty is an international infrastructure business. We work on the major infrastructure assets that societies need to function. Our business model means we work across their entire lifecycle – from conception, funding, design and programme management to construction, systems integration, operation and maintenance which means we can provide sustainable solutions across the infrastructure lifecycle too.



Our core capabilities are in professional services, construction services, support services and infrastructure investments and we are structured by division with divisional CEOs responsible for driving growth in their markets.

We work for customers principally in the UK, continental Europe, the US, South-East Asia, Australia and the Middle East, who value the highest levels of quality, safety and technical expertise.

Sustainability is not just a key part of our business, it is our business. In the way we design, build, manage and consult, in the people we hire and retain, sustainability underpins everything we do.

## Financials

Revenue	Pre-tax profit	Order book	Average net cash
£10.5bn 2009: £10.3bn	£319m 2009: £267m	£15.2bn 2009: £14.1bn	£435m 2009: £283m

## Employee breakdown

Total:	Europe	Americas	Rest of the World
50,000	68%	21%	11%



# MESSAGE FROM IAN TYLER AND MIKE PEASLAND

“Our long-term success as a business depends on fulfilling our responsibilities to all our stakeholders. That’s why our business strategy and sustainability vision are closely aligned.”

In a fast-changing and often unpredictable world, it is more important than ever that companies have a vision for sustainability that goes beyond the norm and stands to benefit, influence, educate and change all the communities they touch.

Why? Above all, because sustainability makes good business sense. That’s why we have now been reporting on it for 10 years. It’s why we’ve worked to understand the sustainability issues that matter most to our business and the significant opportunities in the transition to a low-carbon and resource-efficient economy.

Embedding sustainability in everything we do is now expected by our customers, our shareholders, our employees and all the communities in which we operate. This applies to large and small projects alike.

Sustainability is not just about the environment, or a single issue like carbon. That is why our vision looks holistically at aligning profitable markets, healthy communities and environmental limits.

One of our commitments is to eliminate risk Group-wide through our Zero Harm vision. Regrettably, the Group experienced five fatalities during 2010 (four in the UK and one in Indonesia). Safety has never had a higher profile than it does now, and these tragic incidents serve to remind us that despite our real commitment to Zero Harm, and the progress we have made, our goals are challenging. We must redouble our efforts to eliminate the risks.

Our business continues to grow. As we are joined by more people from more cultures, our increasing size and scale mean we have a responsibility to embed sustainability thinking not just among our 50,000 people and in our own working practices and outcomes, but across the wider 500,000-strong Balfour Beatty community made up of partners, contractors and suppliers.



Ian Tyler

Mike Peasland

As a market leader, we have a duty to have a positive influence and ensure that sustainability is a collective responsibility, taken seriously across all areas of the infrastructure lifecycle. It is not something that can be achieved in isolation.

Our sustainability roadmap has now been in place for over a year. Since its launch we have spent a huge amount of time and energy developing plans and embedding our vision across the business.

New sustainability data, aligned to our roadmap, is now being collected to provide baselines from which we can measure our future progress. Plans are in place across our business to deliver the 2012 commitments of the roadmap. As part of this, and as an extension to this report, this year we have developed an internet site dedicated to our sustainability vision. This site will evolve as we engage with people and develop dialogue with our stakeholders through the site.

Our corporate sustainability as a business is not a right, but needs to be earned and continue to be earned. We aim to build trust and awareness of our own actions and communicate these internally and externally while continuing to fine-tune, review and modify our actions to meet and exceed our stakeholders' expectations.

Building expertise on sustainability issues underpins our growth ambitions and helps us deliver value. As new markets are driven by the move towards sustainable development, there will be tremendous opportunities for continued growth in areas such as renewable energy, rail infrastructure and greener building stock. The low-carbon economy is estimated to be worth over £100bn over the next 10 years in the UK alone and we are determined to be at the forefront. The breadth and depth of our business, and our proven capability to manage the impacts of market change, means that we are uniquely placed to take advantage of this inevitable growth and the exciting opportunities ahead.

As an organisation we are only as good as the people who work for and with us. Balfour Beatty is an extraordinary team of individuals across the world, dedicated to building a sustainable future. And increasingly, we are united by our recognition that sustainability is a collective responsibility if we are to become a beacon for our industry.

**Ian Tyler**  
Chief Executive

**Mike Peasland**  
Chief Executive Officer, Construction Services UK  
and sustainability working group Chair

April 2011

# GLOBAL ISSUES

Collectively, the global construction, civil engineering and infrastructure services sectors have significant economic, social and environmental impacts.

The sector as a whole accounts for:

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40% of the world's waste and 40% of its CO<sub>2</sub> emissions

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10% of global GDP

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28% of global employment

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40% of the world's consumption of resources

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40% of all workplace fatalities.

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Source: OECD

## Trends relevant to Balfour Beatty

In 2008, in conjunction with Forum for the Future, we identified the issues likely to be critical to the continued global success of our business from a sustainability perspective. The priority areas, identified through horizon-scanning techniques, included:

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The availability and cost of raw materials and water as populations grow and key natural resources dwindle. This will impact the way we manage waste, source our materials and conserve water resources, while also presenting new commercial opportunities such as water and waste water treatment technologies

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The physical and economic impacts of climate change are likely to increase over time. This is likely to increase investment in adaptation and encourage more innovative ways of managing existing assets being impacted by climate change

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Globalisation and the rise of the Indian and Chinese economies impacting on the demand for infrastructure and other business opportunities

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Increasing costs of energy (for fossil fuels) and the price of carbon will encourage us and our customers to seek low-carbon opportunities to reduce costs, increase security of supply and potentially profit from carbon trading

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The availability of finance could determine investment priorities and hence the size and nature of future market opportunities

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The attraction and retention of skilled workers will be influenced by their perception of which businesses respond effectively to their corporate responsibilities, including the availability of opportunities to make a real difference to society's sustainability challenges.

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These issues helped to underpin the development of our 2020 sustainability vision and roadmap and will be revisited in future updates of the roadmap in 2012.

## Opportunities

Although there are many uncertainties over the next decade, this horizon-scanning exercise highlighted major opportunities for Balfour Beatty in the transition to a greener economy. For example:

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An estimated market in the low-carbon economy of over £100bn over the next 10 years

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Growth in renewable energy and waste infrastructure such as wind, tidal and solar power, new nuclear, waste-to-energy plants and upgrading of transmission grids for renewables

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Increased pressure for the construction and renewal of rail infrastructure

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Increased demand for more sustainable buildings – both new and the refurbishment of existing building stock

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Development of carbon capture and storage at power generation plants

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Continuing demand for more sustainable social housing, schools and hospitals, as global populations continue to grow.

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# OUR SUSTAINABILITY VISION AND ROADMAP

We are committed to responding to the sustainability challenge. We recognise that sustainability is a collective responsibility and are working together to develop and implement a sustainability strategy covering our global operations until 2020.



## Our roadmap

We aim to be a leader in sustainability and to play a significant role in helping our customers make sustainable choices. We also recognise that the impacts of climate change, resource depletion and the expectation of our customers, investors, employees and society will continue to intensify.

A renewed focus on sustainability, facilitated by the vision, positions us better to manage non-financial risk, to exploit opportunities for increasing efficiency and entering new markets, and to enhance our reputation as a leader in infrastructure development and management.

The roadmap addresses 31 key issues grouped into 10 focus areas, and sets three critical milestones for each:

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**Minimum expectations by 2012** mandatory first steps for all our businesses

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**Excellence for 2012** the goal for those pursuing best practice standards

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**The aspirational goal for 2020** providing a clear direction for businesses’ thinking and practices.

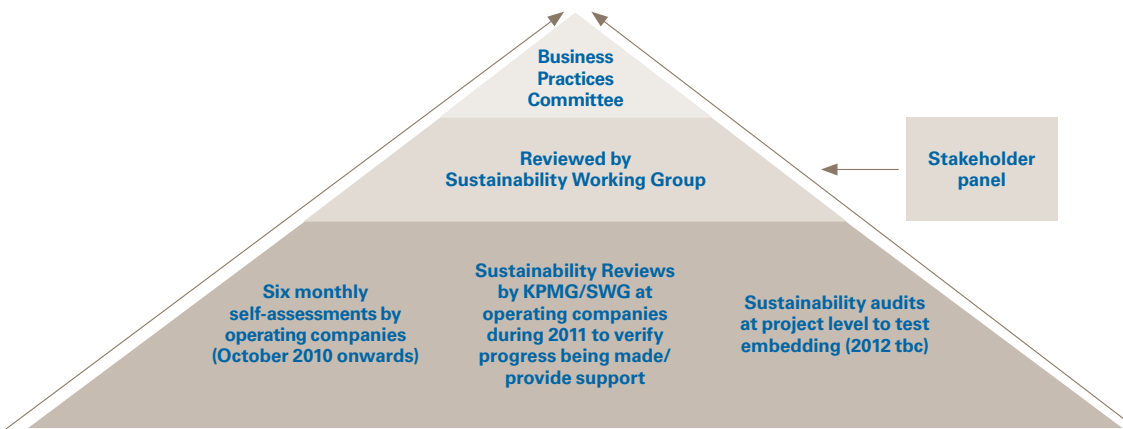
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Detailed guidance (a roadmap user guide) is provided for our operating companies to interpret the requirements of the vision and roadmap.

Further milestones are planned for 2015 and 2018. We will start work on developing 2015 elements of the roadmap later in 2011.

Guidance was also issued to our operating companies to develop their action plans setting out how they will deliver the 2012 commitments in the roadmap. These plans were reviewed by our Sustainability Working Group during 2010 and feedback provided to improve them further.

# MEASURING OUR PROGRESS AGAINST THE ROADMAP



We require our operating companies to complete six-monthly assessments of their progress against their plans and delivering the expectations/excellence requirements of the roadmap. These self-assessments are reviewed by the Sustainability Working Group.

The headline figures on progress are summarised below for the Group as a whole (excluding Parsons Brinckerhoff).

Roadmap	Elements completed	Elements with work underway	Elements not started
2012 minimum expectations	18%	63%	19%
2012 excellence	11%	59%	30%

Elements not started refer to aspects of the roadmap to be developed in 2011 and/or 2012.

Overall, the majority of our businesses reported they were on track to deliver their plans in October 2010. Balfour Beatty Plant & Fleet Services and Balfour Beatty Rail Scandinavia reported they were behind plan but would be increasing their implementation resource to get back on track. Our German rail business is currently behind plan, while it recruits specialist sustainability expertise to help co-ordinate the delivery of its plan.

Our operating companies report that:

The measurement and tracking of sustainability data has improved (resulting in higher baselines for environmental aspects such as energy and waste)

Awareness of sustainability is growing in their business

Understanding of the roadmap and its requirements continues to improve

Common solutions are being developed for specific elements of the roadmap such as sustainable procurement.

Our businesses report a number of challenges also, including:

Maintaining focus in increasingly tough markets

Providing sufficient sustainability resource and knowledge across departments

Implementing our values, the Code of Conduct, Zero Harm and the roadmap at the same time.

## Our plans for 2011

Implementation will continue in 2011. Operating companies will continue to track progress against the roadmap twice a year.

Furthermore, in 2011 we will step up our oversight of their progress by conducting detailed three-day reviews with each operating company to:

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Check that plans are on track and that specific elements of the roadmap are complete

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Identify areas for improvement, guidance and support

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Continue raising management awareness of sustainability

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Share best practice.

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These reviews will be undertaken jointly by our Sustainability Working Group and sustainability assurance experts from the advisory firm, KPMG. Priority will be given to conducting these reviews in those operating companies most in need of support as identified through the self-assessment process.

Our intention is to extend these reviews in 2012 to assess progress at project level and further understand how well embedded our vision and roadmap are across the business.

The action plan for Parsons Brinckerhoff will also be completed and work will begin on implementation.



# OUR PERFORMANCE AT A GLANCE

This section gives an overview of our sustainability performance and other commitments made in last year's report. More detailed performance information is provided throughout the report.

The table below:

provides an update on our progress against the mandatory minimum targets in our roadmap to 2012 introduced in last year's report

provides two new indicators that help us track our progress in profitable markets (a material issue for reporting purposes)

also includes the percentage of waste diverted from landfill (used for benchmarking).

Key Performance Indicator	2006	2007	2008	2009	2010	Trend 2006–10	2012 target
<b>Profitable markets</b>							
Revenue from sustainability products as % of total revenue	n/a	n/a	n/a	n/a	<b>22</b>	■	–
% of projects with agreed sustainability objectives	n/a	n/a	n/a	n/a	<b>4</b>	■	–
<b>Healthy communities</b>							
% of staff completing annual appraisal	n/a	n/a	n/a	73	<b>67</b>	■	90
Fatal accidents (employees and sub-contractors)	8	18	8	3	<b>5</b>	■	0
Accident frequency rate (employees and sub-contractors)	0.25	0.21	0.20	0.17	<b>0.16</b>	■	0.10
Permanently disabling injuries (employees and sub contractors)	6	2	6	3	<b>2</b>	■	0
Injuries to the public	144	185	178	156	<b>159</b>	■	0
<b>Environmental limits</b>							
Tonnes equivalent CO <sub>2</sub> /£m revenue	40.8	39.1	33.9*	36.3*	<b>42.8<sup>†</sup></b>	■	38.5
Waste to landfill (tonnes/£m revenue)	153	109	84	80	<b>101<sup>†</sup></b>	■	51
% total waste diverted from landfill (through recycling, recovery and re-use)	49	77	77	85	<b>81</b>	■	–
% recycled content in major construction materials	n/a	n/a	n/a	n/a	<b>3.4</b>	■	25
% major construction materials from responsible sources	n/a	n/a	n/a	n/a	<b>19</b>	■	25
Sustainably sourced timber (% of total timber spend by value)	n/a	69	77	89	<b>75</b>	■	100
Water use (m <sup>3</sup> /£m revenue)	248.5	205.8	170.4	190.9	233.3 <sup>†</sup>	■	210

Red/green rating displayed for performance between 2008 and 2010. The year's 'at a glance' table has been aligned to the numerical targets within our sustainability roadmap. Data on graduate recruitment and absence can be found in the healthy communities section of this report.

\* Restated data. Greenhouse gas emissions are expressed as tonnes equivalent CO<sub>2</sub>.

<sup>†</sup> Denotes baseline year.

n/a Not available

■ Positive impact trend 2008–10

■ Negative impact trend 2008–10

■ New indicator

This table summarises progress against the commitments made in last year's report:

What we said we'd do in 2010	Our progress
All of our operating companies to develop action plans to deliver the 2012 commitments in our roadmap.	<b>Completed in July 2010.</b>
Parsons Brinckerhoff plans in place for the roadmap, Zero Harm and ethics and values programme.	<b>In place for Zero Harm and ethics and values. Still in development for roadmap to allow for the integration of Halsall Associates.</b>
Reporting of new HR data key trends.	<b>We are now reporting staff appraisal data and are looking at effective measures to capture exit interviews.</b>
Achieve 2010 values programme goals.	<b>During 2010, 70% of businesses have started to give the core values presentation to employees and run a variety of workshops. Of these 14 are well established and five are part way through.</b>
Employees complete code of conduct training.	<b>Nearly 28,000 employees (56%) completed the training in 2010. Ongoing.</b>
Develop KPIs for code of conduct and ethics reporting hotline.	<b>Under development.</b>
Complete GIACC review of anti-corruption measures in Parsons Brinckerhoff.	<b>Completed.</b>
Report progress against key 2012 targets in the roadmap.	<b>See above our performance at a glance</b>
Extend environmental data collection systems to our US Rail and Infrastructure businesses and Parsons Brinckerhoff worldwide.	<b>Completed.</b>
Respond to stakeholder panel recommendations.	<b>See progress to date in our assurance section.</b>

### Dow Jones Sustainability Index

The minimum score needed to feature in the Dow Jones Sustainability Index in 2010 was 75%. Balfour Beatty scored 67% (2009: 67%) and so, for the first time since 2006, was not included in the Index. This is partly due to a more competitive industry, but survey feedback has also highlighted areas such as non-financial project evaluation and customer relationship management as needing improvement. We will review this feedback to identify improvements before re-submitting in 2011.

# FOCUSING ON WHAT MATTERS

Last year we introduced a materiality process to help us prioritise which issues we should be focusing on most in our sustainability reporting. The issues in 2010 remain broadly the same, and while we will continue to monitor them regularly, we do not expect them to change significantly.

## Why this matters to us

Balfour Beatty's sustainability agenda and strategy have matured considerably since we began reporting in 2000.

As with last year's sustainability report, the information presented this year is structured to reflect our sustainability vision and aims to effectively communicate to all our stakeholders where we are heading. Our aim is to give more emphasis to the issues that have greatest potential to affect our business significantly.

## Materiality

In 2008, horizon scanning techniques were used to help identify the issues to address in our 2020 vision and roadmap.

At the beginning of 2010, we held a series of in-depth workshops to consider what additional issues should be included for our sustainability reporting. Members of the executive team and other senior managers took part in these workshops to help prioritise the issues we should give most weight to in the online 2010 and summary reports.

A list of issues, drawn from our previous reports and our sustainability vision, were filtered in two workshops: the first explored the significance of issues to stakeholders, with the second examining each issue's potential to affect our ability to deliver our strategic ambitions.

The stakeholders considered were investors, employees, customers, government, NGOs, local communities, media and suppliers. Participants assessed stakeholders' interest in how we manage each issue, enabling us to filter the issues by their relevance to stakeholders. Participants also considered an issue's potential to help or harm the business, filtering them according to the perceived depth of impact, the likelihood of impact and the timeframe of impact.

These workshops highlighted nine topics particularly material to our business for reporting purposes:

- Leadership and governance
- Ethics and values
- Meeting customer needs
- Influencing for sustainability
- Safety
- Talent and training
- Energy and carbon
- Waste
- Materials.

The materiality process was reviewed in early 2011 and we felt this process remained valid a year on. These issues are focused in our summary report and include more detail online also.

Water is not yet a priority issue, but we believe its potential impact and significance to stakeholders are increasing (see *page 107*). We have also given more emphasis this year to how we are engaging our employees on sustainability.

The additional issues considered in our materiality workshops are listed below. Coverage of these issues is dealt with online and in less detail than our material issues.

Supplier relationships

Employee engagement

Community engagement

Community investment

Protecting ecological resources

Pensions

Materials lifecycle management

Water management

Employee health and wellbeing

Incentives for non financial performance

Diversity

Turnover and absence

Local employment

Migrant workers.

### **2010 Workshop Attendees**

Andrew McNaughton, Chief Operating Officer

Andy Rose, Group Managing Director (Engineering and Safety)

Mike Peasland, CEO Construction Services UK

Paul Willis, Head of HR

Paul Stead, Group Safety Health and Environment Manager

Andrew Hayward, Head of Compliance

Duncan Murray, Director of Corporate Communications

Jonathan Garrett, Group Head of Sustainability

Hannah James, Senior Corporate Communications Executive.

## GRI

Again, this year's report has been aligned to relevant sections of the Global Reporting Initiative (GRI) Framework, achieving a B rating.

## Report scope

This is our 10th report and covers our worldwide operations for the 12 months ending 31 December 2010 (unless stated otherwise). Our approach and management systems cover our global activities and we report on incidents and penalties on a global basis.

We collate safety data for all of our wholly-owned activities and for those joint ventures where we have management control. Sub-contractor safety performance is included for all activities apart from the US, where it is not common practice.

Our environmental data is reported for all wholly-owned operating companies worldwide and for those joint ventures where we have management control. We report data in both absolute numbers (eg tonnes of waste) and normalised against £m revenue (tonnes of waste/£m revenue). The turnover figure used differs from the total revenues for the Group as it excludes environmental data from minority interests where we do not have management control such as Barking power station in the UK.

We report on employee data for all our wholly-owned businesses worldwide. Where possible we refer to the people that work directly for Balfour Beatty or our joint venture businesses as 'employees' throughout the report. Our people data is reported in terms of 'staff' (employees who are primarily office-based) and 'operatives' (employees who are primarily site-based).

Detailed guidance is provided to operating companies on the reporting of sustainability related data to Group for use in this report.

## Additional reporting

Some of our businesses publish their own sustainability reports for stakeholders:

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**Mansell** [www.constructingcommunities.com](http://www.constructingcommunities.com)

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**Gammon Construction** [www.gammonconstruction.com](http://www.gammonconstruction.com)

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**Balfour Beatty Capital** [www.bbcap.co.uk/about/csrsustainability](http://www.bbcap.co.uk/about/csrsustainability)

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**Parsons Brinckerhoff** [www.pbworld.com/sustainability](http://www.pbworld.com/sustainability)

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# ETHICS, VALUES AND COMPLIANCE

## Integrity

**Integrity** is about how we behave as individuals and, by extension, as a company. It's about the personal and corporate code and ethics each of us lives by. The aim is for a customer to say 'We use Balfour Beatty because we trust them as people'.

## Teamwork

**Teamwork** is how we work together. It touches everything from how we can be more agile and responsive to customers' demands, to how we deal with our customers and supply chain.

## Excellence

**Excellence** is about the actual product and service we deliver. It's about acknowledging that quality, in its broadest sense, is the most effective way to differentiate ourselves from our competitors. We want customers and other stakeholders to think, 'If I choose Balfour Beatty, I know I'll get the best possible product'.

## Respect

**Respect** is about how we deal with each other, our stakeholders and the actual world. Much of what we do is concerned with infrastructure, so our work touches people's lives every day. We want them to think 'Balfour Beatty always does its absolute best to deal with us fairly'.

## Ethics and values

As an international infrastructure group, we operate in diverse markets. We need to be certain that all who work for us are confident in their ability to make decisions that will consistently prevent the organisation from conducting business unethically or being exposed to serious risks. Our ethics and values programme, including our Code of Conduct, aims to support our employees in making the right decisions.

Our markets are changing and the needs of our customers are growing more and more complex. In addition to this, we recognise that further growth could potentially stretch the boundaries of our businesses and their management teams and expose us to more risk. This has led to a lot of effort being focused on our Group-wide ethics and values programme, which encourages all our employees to make our values second nature in their thinking.

We believe that having a common set of values that represent what we are as a Group and what we want to be recognised for will offer clear business benefits to us and support us through the challenges of future growth.

We believe we have a duty to support our employees in making the right decisions, no matter where they are in the world. We believe that, by demonstrating consistent values and a strong and distinctive ethical approach, we can set ourselves apart from the competition. This will help us serve our customers better, and ensure we are best positioned for long-term growth.

## Our values programme

The Group's four values are:

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Integrity

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Teamwork

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Excellence

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Respect.

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Our values underpin everything we do. This includes our sustainability vision and roadmap.

Our employees act as ambassadors for the business and demonstrate our values within their daily working lives. These values are behaviours that our customers and other stakeholders already recognise when doing business with us. We are now working to embed them further through a structured programme run across the Group.

Championed by the Chief Operating Officer, Andrew McNaughton, and recognising the diverse nature of our internal audience, the programme has been designed to focus on cascade briefing methods and strongly encourages face-to-face workshops to create internal debate around the values. By allowing each business to tailor its plans to its audience, the programme aims to create unity without uniformity.

Each business has a values leader to run the programme. In 2010, we ran a series of 'train the trainer' sessions to ensure that the right people feel confident to lead the workshops. During 2010, 70% of businesses have started to give the core values presentation to employees, run a variety of workshops and planned others with different levels and functions throughout 2011. Of these 14 are well-established and five are part way through. Many businesses have also created communications campaigns to make the values second nature and identified metrics for implementation and monitoring progress over time. To maintain this momentum and keep the programme on track, in 2010 we retained an employee communication consultancy to support the discussions with our businesses. This work will continue in 2011.

## Our Code of Conduct

A good reputation is hard won, but easily lost. One unthinking decision by one person can have a far-reaching impact across the Group. Published in 2009, our Code of Conduct provides us with a clear framework within which to make decisions and therefore protect the company from risk, both legal and reputational.

The Code has been issued to all levels of office-based staff across the Group. During 2010, these people undertook online training, supported by targeted, in-person training where necessary, to ensure they fully comprehend the Code and the importance of ethical behaviour. This training course was produced in eight languages and completed by nearly 28,000 people.

The training will be refreshed each year. Our aim is to embed our values and ethics in the company.

The acquisition of Parsons Brinckerhoff in 2009 was transformational for the Group. Employing 14,000 people, Parsons Brinckerhoff is now the professional services division of the Group, and in 2010 the Code of Conduct was rolled-out across Parsons Brinckerhoff.

## Working with external bodies

Balfour Beatty is a corporate supporter of Transparency International and the Institute of Business Ethics, and works closely with the Anti-Corruption Forum. We are also working with the British Standards Institute on the development of a British Anti-Bribery Standard.

## Ethics and compliance

Our aim is to ensure that every part of our business, wherever we operate, not only respects and complies with local law but goes above and beyond local requirements, to the extent that we have adopted global standards. This aim, and the specific standards and commitments set out in our Code of Conduct, are underpinned by our values and a commitment to operate ethically.

In early 2005, we identified payment irregularities relating to a joint venture contract in Egypt which had been completed in 2001 by a Balfour Beatty business that had been discontinued seven years previously. The matter was reported voluntarily to the Serious Fraud Office (SFO). Since our September 2008 settlement with the SFO in the UK, we have taken significant steps to enhance our Group-wide ethics and compliance programme. The programme is built around:

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Top-level commitment to ethical business

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Assessing the risks we are running

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Clear policies

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Communications and training on those policies

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Procedures and controls to manage the risks

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Monitoring, enforcement and review of performance.

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To deliver on its commitment to operating ethically, our Board started with a programme in late 2008 to identify and promote the Balfour Beatty values. At the same time, we started work on a revised Code of Conduct and hired a new head of ethics and compliance to drive the programme forward. The Code of Conduct adopts a principles-based approach and provides guidance on many legal, ethical and reputational risks and on how to manage them, often in ambiguous situations. Employees are encouraged to apply our values and the principles set out in the Code to dilemmas they encounter.



## Ethics Helpline

At the same time, we launched a Group-wide whistle-blowing helpline – the Ethics Helpline. Employees and third parties can use this to raise concerns or ask questions about behaviour that may not be consistent with the Code of Conduct. The Ethics Helpline can be accessed by telephone or online and is confidential. We want employees to feel confident that their concerns will be investigated and that people who raise concerns in good faith will be protected against retaliation. Callers can speak to an operator in any language, and the website is available in eight languages. Local telephone numbers are publicised in each country and can also be found on the website, [www.bbethicshelpline.com](http://www.bbethicshelpline.com)

Since the launch of the Code, the training and the Ethics Helpline we have seen, as hoped, a significant increase in the number of whistle-blowing cases and other reports of conduct potentially inconsistent with our Code. In 2010, 176 such cases were reported, compared with 64 in 2009 (including Parsons Brinckerhoff numbers for the whole year). We expected this increase and believe it reflects employees' growing awareness of the availability and role of whistle-blowing channels (particularly our success in promoting the Ethics Helpline), and of the company's high ethical standards and determination to address breaches of the Code of Conduct. All cases are investigated and, where appropriate, we take remedial and/or disciplinary action and report the outcomes back to the relevant employee where practicable. We are currently exploring ways of reporting cases in a meaningful way.

To ensure that whistle-blowing allegations and other reports of conduct potentially inconsistent with our Code are properly investigated and remediated, we have published principles and procedures for investigations, provided training to compliance, HR and others, and appointed a compliance investigator.

We have assessed corruption and other compliance risks across the Group and also provided a framework for operating companies to assess such risks across their business, including when they enter into new countries or markets or work with new clients and partners. This framework includes an assessment of the controls that they have in place and of the need for any enhancements to those controls.

## UK Bribery Act

A significant focus of our work during 2010 was preparation for the new UK Bribery Act, which is due to come into force in 2011. We believe our Code of Conduct already sets a standard appropriate for the Bribery Act, but the Act has created a new, strict liability criminal offence of failure by a commercial organisation to prevent bribery occurring. It is a defence for us to demonstrate that we have 'adequate procedures' to prevent bribery and we have been working to ensure that the Group has such procedures in place. This includes the elements described above as well as additional procedures and controls in high-risk activities and countries. In particular, we have designed and launched anti-corruption due diligence procedures that should apply when entering into new countries or sectors or when engaging with a whole range of third parties that may represent a corruption risk.

## Compliance officers

To assist with embedding, testing and improving our compliance, we have created a network of compliance officers – at least one in every operating company. Their role is to help their senior management teams ensure compliance by helping to implement the Group-wide framework, local procedures and controls where necessary, and providing guidance on ethics and compliance.

## Independent assessment of anti-corruption measures

As reported last year, and as a result of the settlement with the SFO, at the end of 2008 we appointed the Global Infrastructure Anti-Corruption Centre (GIACC) to report on our anti-corruption compliance programme. During 2010, GIACC continued its detailed review of our operating companies. This included reviewing Parsons Brinckerhoff for the first time, in the same way that all our other operating companies had been reviewed in 2009.

GIACC's main conclusions in its 2010 report are as follows:

Overall, Balfour Beatty has developed and is implementing a best practice anti-corruption compliance programme throughout the organisation

The leadership from the Board and senior management in relation to the importance of ethical compliance is clear and unequivocal

Major steps have been taken during 2010 to improve the compliance programme, and good momentum is being maintained

There are still some weaknesses in the programme, and there are differences in the level of implementation between different operating companies. However, these have been identified, and appropriate action is being taken

GIACC believes that Balfour Beatty is committed to continue to implement and improve its compliance management programme on a long-term basis.

## Our plans for 2011

We will:

Continue to promote our Ethics Helpline as a valuable mechanism for communicating potential unethical behaviours and look to establish reporting metrics that are both meaningful and transparent

Provide ongoing training throughout our operations around the world to reinforce this valuable tool as the primary mechanism for communicating potential unethical behaviours

Roll-out the Code of Conduct, the online training and the Ethics Helpline to our joint venture businesses

Develop ethics training for site-based operatives

Embed ethics throughout our global supply chain. Individual businesses will be working with their supply chains to achieve this

Audit and monitor the implementation and effectiveness of our procedures and controls by compliance officers and, increasingly, by internal audit.

In addition, we will develop four areas in our people processes to help embed our values:

Guidance and training for recruitment for use within the business and our external recruitment agencies

Launching a company-wide e-learning tool for new joiners as part of their induction to Balfour Beatty

Ensuring our values are included within all staff appraisals conducted across the Group

Providing standard questions on our values for use by operating companies in their employee surveys to help benchmark and track progress over time.

## Our stories

### Respecting the past in Chester, UK

In partnership with National Grid, we are responsible for maintaining and renewing the gas distribution network in North-West England. This includes replacing over 500km of obsolete large-diameter pipes each year.

We are currently replacing the old cast-iron network in the historic town of Chester. In the centre, the great majority of buildings are Grade 1 and Grade 2 listed: many are of national importance. So we have to work with sensitivity to our surroundings have a full-time archaeologist on the staff to identify and protect the wealth of artefacts unearthed by our digging.

“We engaged with conservationists, archaeologists and specialist structural engineers six months prior to construction to obtain consent to work on grades 1 and 2 listed buildings. We received detailed knowledge on areas of special interest from the archaeologist to enable the design team to work around protected sites. During construction we’ve discovered roman roads, clay pipes dating back centuries and several bones, including skulls.”

#### Vicki Lloyd

Construction Engineer

### Making it second nature, US

Our US Investments business has worked hard in 2010 to embed the values programme across its 44 locations. Within eight months, 98% of employees were trained with the launch presentation and first workshop, encouraging them all to make the values second nature.

And the programme doesn’t end with the workshops. By the end of 2010, the business had embedded the values in all job descriptions, employee reviews and marketing materials.

## Stakeholder view

“In our training sessions everyone was to learn together so no hierarchy existed – these values were for everyone. People appreciated that these values were really driven by senior management, and we were better off for it.”

#### Kathy Grim

Senior Vice President, Marketing and Communications, Balfour Beatty Capital Group Inc, US

# LEADERSHIP, MANAGEMENT, GOVERNANCE

Balfour Beatty is a leading business in many of its markets. We aim to be a leader in other areas such as ethics, safety and the environment and believe that the long-term future of the organisation depends on it. We have put in place a series of measures to ensure that we are managing the business to achieve those goals.

Managing our business responsibly and for the long-term is a key part of Balfour Beatty's strategy.

We are a leader in many of the markets in which we operate and have spent the past 100 years building that position and reputation. But we recognise that leadership is not just about having the biggest market share.

We aim to be a leader in a broader sense, behaving like an organisation of real substance and stature and setting the standard in areas such as ethics, safety and the environment and in our relationships with our customers, our supply chain, our people and the communities in which we operate.

The future success of the business depends on it.

Ensuring that best practice in sustainability is communicated, embedded and reinforced within the Group will help us to:

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Be at the forefront of sustainability in our industry

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Work with customers to help achieve, and where possible, exceed their sustainability aspirations

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Enhance Balfour Beatty's global reputation as a leader in infrastructure development and management

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Grow our business.

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## Our approach

To achieve and maintain a leadership position in these areas, we must ensure that sustainability is high on the agenda throughout the organisation:

The Balfour Beatty Board sets policy and takes responsibility for the Group's non-financial performance, including issues relating to sustainability.

The Business Practices Committee, comprising non-executive directors chaired by Mike Donovan, reviews these activities and provides guidance on future activity. The committee met three times in 2010. The main topics it considered during the year related to aspects of corporate responsibility including health and safety, environmental, legal duties, people, community and ethical issues.

The Sustainability Working Group (SWG) is chaired by Mike Peasland, Chief Executive Officer, Construction Services UK and consists of senior managers with responsibility for Group policy and strategy on key issues. It meets at least four times a year. The membership of the SWG will be strengthened in 2011, when Peter Halsall joins the team from Halsall Associates, a specialist sustainability firm acquired by Parsons Brinckerhoff in October 2010.

Business Practices Committee		
<b>Mike Peasland</b> Chief Executive Officer, Construction Services UK & sustainability working group Chair		
Balfour Beatty Sustainability Working Group		
<b>Brent Mitchell</b>	Balfour Beatty Utility Solutions	Director of Support Services
<b>Caroline Parsons</b>	Balfour Beatty plc	HR Manager
<b>Chris Whitehead</b>	Balfour Beatty Construction Northern	New Work Director
<b>Colin Smith</b>	Gammon Construction	HSEQ Director
<b>Dominic Grace</b>	Balfour Beatty plc	Group Innovation & Knowledge Manager
<b>Jonathan Garrett</b>	Balfour Beatty plc	Group Head of Sustainability
<b>Louise McCulloch</b>	Balfour Beatty Construction Services UK	Communications Manager
<b>Martin Brock</b>	Balfour Beatty Major Civil Engineering	Head of HSEQ
<b>Tracy Browne</b>	Balfour Beatty Construction US	VP, Sustainability
<b>Simon Wright</b>	Mansell	Supply Chain and Sustainability Director
<b>Peter Halsall</b>	Parsons Brinckerhoff/Halsall	Chairman, Halsall

Balfour Beatty has clearly established and stated policies and principles for a number of key areas that fall into the sustainability arena. These include policies on risk management, safety and health, environment, human rights, equal opportunities and ethics and competitive behaviour. You can view policies on the sustainability pages of [www.balfourbeatty.com](http://www.balfourbeatty.com)

Within this framework, operating companies are required to develop specific policies and practices, relevant to their particular business.

## Managing risk

In addition to setting out the roadmap to achieve our sustainability vision, maintaining and building on our leadership position also involves the effective management of risks within the Group. This is essential to secure the delivery of our objectives.

The Board is responsible for ensuring that risks are identified and appropriately managed across the Group. Responsibility for risk identification, analysis, evaluation, mitigation, reporting and monitoring rests with operating company management.

While risk management is a key driver for our sustainability vision, non-financial risk is also reflected in our Group-level risk management process.

## Our plans for 2011

To ensure that sustainability is embedded throughout the Group, we are launching a sustainability e-learning and offline course in 2011. The aim is that all our employees across the Group will participate in a 45-minute module. This stresses our central vision of aligning the interests of profitable markets and the needs of communities within environmental limits, as well as the role they can play in helping to achieve it

Operating companies will continue to deliver their own sustainability action plans and report their progress twice a year

In conjunction with sustainability experts from KPMG, the sustainability working group will be undertaking detailed three-day reviews to assess progress against these plans, continue to raise awareness of sustainability at management level and share best practice

To ensure that our leaders have the right skills and attributes, we have developed a senior leadership framework identifying the particular qualities that characterise a successful leader in Balfour Beatty and the additional behavioural attributes and skills necessary to lead in the future. This will be used as a guide to future senior appointments. We will review how best to integrate and assess sustainability behaviours in the framework

The sustainability working group will begin its review to develop the 2015 milestones for the roadmap and consult internally and externally during 2012 as the new elements are developed.

## Our stories

### Making a personal commitment, US

Balfour Beatty Communities used its annual managers' meeting to roll-out the global sustainability programme to key leaders from every project site and business unit.

Beyond just educating employees, Balfour Beatty Communities engaged them by guiding each through a selection of personal and professional commitments to sustainability for 2011.

# ENGAGING WITH OUR STAKEHOLDERS

We believe that engaging with our stakeholders systematically and pro-actively is an essential element in being a responsible company. By sharing best practice, ensuring ongoing dialogue and engaging with our stakeholders all over the world, we can achieve our vision and go some way to making sustainability a collective responsibility.

## Customers

### Why we engage

Much of our business relies on building and maintaining long-term relationships with customers so we seek to work closely with them, to have a thorough understanding of their needs and processes and to achieve outstanding levels of customer satisfaction. Therefore customer feedback is regular and we seek to consistently promote two-way communication.

Our Code of Conduct commits us to communicate truthfully, clearly and regularly with our customers.

### How we engage

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Running regular customer attitude and opinion surveys

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Collaborating with customers on our Zero Harm safety vision and 2020 sustainability roadmap

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Working with customers to agree project-specific sustainability deliverables and respond to customer assessments. For example, we scored 97.6% in Hammerson's sustainable procurement assessment framework in 2010, which assesses strategy, integration, management and performance. The average score for their key construction suppliers was 94%

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As much of our business is carried out in partnering, UK businesses have been working together on an alliance exchange programme, sharing best practice through a toolkit including guides and case studies.

### What's next?

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Minimum expectations for all businesses by 2012 include producing a sustainable offering on all bids which exceed customers' sustainability goals. We have held work-winning workshops across the Group to share best practice and we plan to use this information to liaise with customers early on in the bidding process to achieve sustainability goals

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Our Innovation and Strategic Collaboration team will work to encourage our businesses to share knowledge better and promote collaborative working to best serve our customer base. A toolkit is being developed to help our employees communicate effectively with current customers.

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## Investors

### Why we engage

We seek to have an open dialogue with our shareholders and potential investors and to provide them with information they need to make well-informed investment decisions.

### How we engage

We increased our investor relations effort in 2010 with an active programme involving regular one-to-one and group meetings with shareholders and potential investors. During 2010, senior executives held over 200 meetings with institutional investors, an increase of 30% on the prior year, and attended five broker conferences

We organised two significant educational sessions in the year. An investor seminar in London updated 43 external attendees on the future strategic direction of the business as well as new market opportunities in the low-carbon economy such as off-shore wind, and, in New York, eight sell-side and four buy-side analysts spent a day with the management of Parsons Brinckerhoff

Shareholders were provided with focused communication explaining the Group's results and new business segmentation

All our results and seminar presentations were webcast to benefit those who could not attend in person

During 2010, we increased our investor engagement outside the UK by focusing on the US through investor relations consultants

Balfour Beatty shareholders can access details of their shareholding over the internet, and our registrars provide them with clear guidance regarding topical issues

Our Annual General Meeting provides shareholders with the opportunity to speak directly to our Board

Our recently-appointed head of investor relations liaises directly with institutional investors and analysts to ensure consistent and timely communication.

### What's next?

We will continue the communication momentum we have achieved so far with regular roadshows in the UK and US

Our website is being relaunched in the third quarter as a more effective communication tool for investors

Our Board has approved our plans to set up an American Depository Receipt (ADR) programme which will in effect enable our shares to be traded in the US.



## Employees

### Why we engage

We aim to create a safe, healthy, challenging, rewarding, participative and fair working environment for all employees. Giving our employees a voice is central to creating a unified culture where they feel motivated and understand the future direction of the business.

### How we engage

Our businesses use a variety of channels to communicate with, consult and involve their employees through local publications, briefing groups, consultative meetings, representative bodies, training programmes and working groups

Employee surveys have been conducted in a number of our businesses during 2010. Overall satisfaction averaged 72%

Employees receive the Group's six-monthly magazine, Update. In response to employee research, this was also made available online during 2010

Following our 2009 results (announced in March 2010), an employee booklet was created to communicate the strategic direction of the Group

We regularly meet with employee representatives to discuss topics of mutual interest and to keep them informed about our business

Our Code of Conduct, and accompanying online training, aims to ensure that all employees feel well-equipped to make the right decisions

Workshops developed to roll-out our values programme prioritise face-to-face communication, and values leaders across the business collate employee feedback on the programme

We hold regular management conferences.

### What's next?

We have developed an e-learning and offline sustainability course to support the embedding of the 2020 vision which will be rolled-out in 2011

An HR working group continues to review employee satisfaction surveys. A core set of questions will be introduced in 2011 and embedded in all employee satisfaction surveys across the Group

Our Innovation and Strategic Collaboration team are working to share best practice across the Group and encourage employees to contact people outside of their own business and share information across traditional boundaries.

## Government/regulators

### Why we engage

Over half of Balfour Beatty's work is undertaken for governments. We seek to operate fully within legal and regulatory boundaries and wish to engage with governments and regulators to understand the issues that may impact our business, particularly those that affect our customers and the communities in which we operate.

### How we engage

We seek active and positive relationships with both our public sector customers and those departments and organisations which regulate the activities of our sector to ensure that our own policies and practices meet all their key requirements

We make sure any public policy or political activity we undertake is lawful, ethical and within our Code of Conduct. We do not participate directly in party political activities

We have started a new public affairs programme engaging with politicians following the UK election and senior executives often attend conferences to discuss governmental issues

We have started to engage with the US government more effectively through our public affairs strategy

Balfour Beatty works to influence government thinking and is heavily involved in thought leadership programmes such as strategies to reduce greenhouse gas emissions (DECC) and approaches to sustainable procurement (OGC).

### What's next?

We have recently appointed a new Head of Public Affairs to manage our contact with government more effectively

We aim to engage with policy makers to increase awareness of our offering and expertise across government and throughout the UK.

## Local communities

### Why we engage

We aim to make a lasting positive impact on the communities in which we operate. By engaging with local communities, we believe we protect and strengthen these communities. We also want to deliver better projects and services to help us secure future work.

### How we engage

Consultation on our projects involves leaflet drops, project websites and community discussions or exhibitions. Most of our larger sites have community relations officers

We have developed a number of national and local initiatives which reflect our commitment to and which are targeted at improving the life prospects of young people such as the London Youth Games and The Balfour Beatty Charitable Trust

For many projects we seek to employ local people.

### What's next?

With more long-term projects and maintaining assets for our customers for many years, we need to work constantly to improve the planning and implementation of community liaison work

We believe that all our people have a responsibility to the local community in which they work, so our recently launched sustainability e-learning programme encourages people to think about their actions more carefully.

## Suppliers

### Why we engage

We want to create long-term partnerships with suppliers based on the compatibility of their values and behaviour as well as product quality and price. We need the support of sub-contractors to deliver the majority of our projects, and consistent engagement helps us to work together to understand each other's needs, and to exceed customer expectations.

### How we engage

We aim to involve our suppliers within our sustainability visions and by partnering with key suppliers, hope that they will align their own sustainability programmes with our 2020 roadmap

During 2010, our UK businesses worked to deliver high standards of procurement and supply chain management that would be recognised across the industry. Suppliers have been consistently involved on this journey and work continues into 2011

Many of our operating companies organise meet the supplier days, fostering a collaborative working culture

'Meet Balfour Beatty' days involve inviting local businesses to presentations on project opportunities followed by interviews with the objective of assembling a directory of organisations that could then be utilised by buyers from Balfour Beatty. Blackburn with Darwen and Bolton was the first use of the scheme on a Building Schools for the Future project and others have followed in 2010.

### What's next?

We will work to engage further with our suppliers to embed Zero Harm and sustainability within our supply chain. By 2012, all key suppliers must be conversant with our 2020 sustainability vision.

## Industry groups

### Why we engage

We believe that co-operation on sustainability issues with other companies in our sectors can help us drive improvement in a way that we cannot do on our own. Sector-led initiatives can drive the adoption of best practice.

### How we engage

During 2010, our businesses reviewed their interactions with trade associations and other companies in our sectors to determine the best methods of positively influencing markets for more sustainable outcomes

We are working with the UK-Green Building Council to develop a leadership programme for sustainability in the built environment. Mike Peasland represents Balfour Beatty on its leadership advisory board

We are active members of the UK Contractors' Group, contributing to the development of environmental best practice such as minimising water use on construction sites, promoting the common reporting of construction industry environmental data and contributing best practice examples in their social impact of construction report published in November 2010.

### What's next?

We aim to influence the market environment, so our minimum expectation for 2012 is to ensure representation on relevant industry and sustainability bodies.

We will be looking at ways of tangibly measuring the impact of our stakeholder engagement programme on areas such as employee surveys and e-learning.

## Stakeholder views

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“Sustainability is absolutely paramount. Balfour Beatty needs to be as innovative as possible with regard to construction processes.”

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**Balfour Beatty Construction customer perception survey 2009/10.**

# OUR PLANS FOR 2011

Throughout this report we conclude each section with our plans for the year ahead.

The key ones are summarised here:

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Begin developing the 2015 milestones for the next phase of the implementation of our roadmap. We expect to complete this work in 2012

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Implement a sustainability action plan in Parsons Brinckerhoff to deliver our vision and roadmap

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Increase our efforts to offer more sustainable choices to our customers and report our progress

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Further develop our approach to work-winning through sustainability

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Continue to roll-out and embed our ethics programme, with a particular focus on our joint venture businesses, project based employees/operatives and our supply chain

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Continue to engage our employees on sustainability and the role they can play in helping to create a truly sustainable Balfour Beatty, including the completion of our sustainability e-learning and off-line course by all employees and the introduction of sustainability objectives into the appraisal process for our senior managers

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Apply our suite of newly-developed Zero In suite of tools to further embed Zero Harm across our operations and work towards our challenging health and safety goals for 2012

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Introduce a measurement tool to assess the impact of our community investment programme

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Continue to develop our approach to, and share best practice on, sustainable and ethical procurement

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Develop new tools for calculating building carbon footprints, project water footprints and a climate change adaptation framework for our businesses

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Work hard to deliver our 2012 environmental targets (including reducing our carbon emissions, water use and waste to landfill, together with increasing our responsible sourcing of major materials and their recycled content).

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# PROFITABLE MARKETS

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We view sustainability as a collective responsibility and are working together to develop and implement a sustainability strategy covering our operations worldwide to 2020. This is not an optional extra: we are devoting effort and investment to make sustainability an integral part of our culture and a recognised strength of Balfour Beatty worldwide.

## Zero-carbon school: a lesson in sustainability **US**

Buildings consume energy. In the US, where greenhouse gas emissions continue to rise, they account for 40% of energy use and 72% of electricity use\*. For school administrations, energy is a major cost that they are eager to reduce. That's why Lady Bird Johnson Middle School (LBJMS) in Texas, is attracting a lot of attention, even before it opens in August 2011.

### What we're doing

At LBJMS, we are building the first 'net zero' public school in Texas, and the largest in the US. Net zero means it will generate all the energy it needs without using fossil fuels. On some days it will sell surplus power, eventually offsetting even the energy used to build it.

Energy and water efficiency features include high-performance insulation and glazing, rainwater harvesting and grey water systems, geothermal heating and cooling, 'light shelves' to reflect daylight deeper into the building, and automatic dimming and switching of lights.

We are ideally qualified to build it: we are one of the largest educational building contractors in Texas, with outstanding experience of working to Leadership in Energy & Environmental Design (LEED) standards. To make the building process as green as the building itself, in buying materials we're considering both their recycled content and their proximity to the site.

### The impact

LBJMS will be so energy efficient that it will need about half the energy consumed by a typical middle school

It will generate its own electricity from rooftop solar panels and a dozen wind turbines. The panels should produce about 850,000kWh a year

It will use its green technology as a teaching aid, says principal Angie Gaylord: "Students will learn through hands-on experience. And because it presents unique learning opportunities, it has been designed to host 60–70 visiting students a day. The impact of this school will be felt far and wide"

We are expecting positive impacts on our own business, too: there is growing demand for the sustainability expertise showcased at LBJMS.

"This has set a great example for schools across the country. We're going to see it becoming the norm because it cuts operating costs, it's an object lesson in sustainability for the students – and it's the right thing to do."

**Mike Parkos**, Senior Project Manager

**John Miraldi**, Superintendent  
Balfour Beatty Construction, US

\* Source: US Green Building Council

## Smart streets know when to dim the lights

UK

When the UK city of Coventry reviewed its street lighting stock, it saw a golden opportunity for radical change. A repairs backlog and the need to bring lighting up to new European standards meant that it would make sense to replace the lot, optimising energy efficiency and minimising light pollution. And it was our sustainability expertise that helped win us the work.

### What we're doing

Balfour Beatty Capital and Balfour Beatty WorkPlace teamed-up to provide a PPP solution that exceeded the council's original expectations. Under a £230m contract we are updating over 38,000 street lamps, illuminated signs and bollards over five years, at a capital cost of £64m. And we will operate and maintain them for the 25-year life of the contract.

The biggest single innovation was the inclusion of a centrally managed dimming system that allows lighting levels to be reduced when streets are quiet. This city-wide system is the biggest of its kind in the UK to date.

To ensure the installation is the best it can be, we've worked with Coventry City Council's suppliers to develop more energy-efficient lamps as well as on the central management system.

The new streetlamps give a white light that enables us to space lighting columns further apart, allowing additional cost savings. On road signs we're either removing lights or replacing them with low-wattage LEDs. And all types of bollards will go zero-energy: we're installing solar-powered lighting or removing illumination altogether.

### The impact

In each of the first five years, we will cut the council's energy use by a further 6mKWh, reducing carbon emissions by 900 tonnes

By the end of the five-year installation period, Coventry's street lighting energy consumption will be 38% lower

But the savings won't end there. As technology evolves, we'll seek further opportunities to cut energy use – incentivised by a gain-share agreement to split additional cost savings with the council.

"Because we have our own design department, we are not just replacing lights one-for-one: we can redesign the lighting of whole streets to make them as efficient as we can."

**Michael Moore**, General Manager  
Balfour Beatty WorkPlace

### LEEDING the way in South Korea

Parsons Brinckerhoff is helping to implement LEED criteria for Songdo International Business District in South Korea. It is responsible for LEED design and construction on 13 projects and supporting consultants working on over 50 others as part of the scheme.

### Long Island 'Build a Better Burb' competition, US

Parsons Brinckerhoff's AgISLAND entry was one of six winners in The Long Island Index's Build a Better Burb competition, which challenged participants to come up with innovative approaches to rethinking suburbia. AgISLAND examines the town of Farmingdale and re-organises it into a sustainable farming community with transit-oriented development.



# MEETING CUSTOMER NEEDS

Meeting customer needs is fundamental to any business. As sustainability becomes an increasingly important consideration for our customers, we need to ensure we work with them to achieve, and where, possible exceed their sustainability aspirations. During 2010, we paid particular attention to developing work-winning approaches through sustainability.

## Why this matters to us

We believe that the way we deliver more sustainable solutions will be a key differentiator in our increasingly competitive markets. Through our scale and leadership, we can positively influence the growth of these markets. Over time, we have seen growing numbers of customers wanting sustainability to be a key part of our service.

An example of this is a project to provide street lighting for Coventry City Council in the UK, which has delivered a number of technical innovations that will result in a 38% energy reduction across the city's street lighting stock. Our innovative use of remote dimming technology was one of the key winning aspects of the bid.

We believe it is vital that we develop and refine our culture of genuinely understanding customer needs and sharing best practice across the Group. The low-carbon economy will open up new markets for us.

We also need to enhance the service we offer to customers through innovation so we can be recognised as a market-leading business.

Our 2020 sustainability vision in this area is to:

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Deliver an appropriate range of products and services that respond to the needs and aspirations of customers and a sustainable society

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Work in partnership with customers to help them align their sustainability goals to society's expectations and to environmental limits.

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## Our approach

We look at the opportunities to meet the sustainability aspirations of our existing customers and also in entering new growth markets in clean energy. We have also started to capture data on the profitable markets component of our roadmap.

### Tracking profitable markets

In 2010, we estimated that our baseline revenues of recognised sustainable goods and services (such as LEED, CEEQUAL, BREEAM, clean energy) amounted to 22% of our total revenues.

We also established in 2010 that 4% of new projects initiated during the year had agreed sustainability deliverables with the customer.

We will continue to track both these indicators as measures of our effectiveness in growing our revenues through sustainability and in influencing our customers to seek more sustainable outcomes.

### The multi-billion pound low-carbon business opportunity

We have established an Energy Forum to research and develop our approach to maximising new commercial opportunities across the Group from the transition to a low-carbon economy. These include offshore wind, carbon capture and storage, waste from energy facilities, new nuclear and developing the transmission network. Parsons Brinckerhoff is currently advising the UK Government on its carbon capture and storage demonstration projects.

We also believe there will be a significant market in the retrofit of existing buildings to improve their energy efficiency, as much of the existing stock will be around in 2050.

### Work-winning workshops

Our operating companies have included work-winning within their sustainability action plans. However, we recognised that we need to accelerate the way we promote sustainability to our customers if we are to be effective in work-winning through sustainability. We held workshops to develop our approach and inspire our business development teams to win work through sustainability.

Over 50 heads of business development and sustainability leads at Balfour Beatty attended three workshops held in the UK and US. The focus was to make the case for work-winning through sustainability as part of our leadership aspirations, share best practice, and agree next steps, including tailoring our sustainability messages for customers.

Our businesses are now developing work-winning roadmaps identifying our core offering and differentiators, as well as developing work-winning prototypes for a potential customer and current bid.

### Infrastructure management

To further support our customers in their own projects, we are setting up an infrastructure management business which will be focused on investing in core economic infrastructure funds.

## What's next?

The 2012 expectations in our sustainability roadmap set out our plans for meeting and where possible, exceeding, our customers' sustainability aspirations by:

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Formally confirming the sustainability objectives on all projects at the outset of engagement with the customer

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Identifying sustainability solutions achievable within existing project budgets

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Presenting sustainability options for customers, where no sustainability objectives exist, for their consideration

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Rolling-out more work-winning workshops in 2011 to review our experiences in promoting sustainability to our customers.

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We will also include sustainability considerations in our project risk and opportunity reviews.

## Our stories

Our ability to meet customer needs and to work with them to achieve their sustainability aspirations is best illustrated through examples. These case studies also serve as good examples of our effective engagement with stakeholders:

### Institute of Technical Education, Singapore

Gammon Construction, our joint venture based in Hong Kong, is responsible for the entire supply chain for this S\$270m project, the first PPP contract in Singapore. The building has been designed to meet high standards of energy and water efficiency, environmental protection and indoor air quality – and has numerous other green features.

Awarded an 'excellent' rating at the Singapore Building and Construction Authority's 2009 Green and Gracious Builder Awards, its green features are expected to make significant savings in energy and water costs for the customer once the building has been finished.

The innovative designs included a reinforced earth wall, minimising concrete usage with significant reductions in cement and steel reinforcement. Approximately 35% of the roof areas are covered with a green roof tray system to protect the spaces below from direct sun heat, and an underfloor cooling system minimises the energy required to keep the large spaces cool.

### North West Fire and Rescue, UK

This is the first fire and rescue PFI project that Balfour Beatty has bid for, and our success in becoming preferred bidder has been down to the team's focus on listening to the customer and its efforts to achieve the best possible solutions for the community.

We have designed the community fire stations with sustainability at the forefront of the design philosophy. The aim is that at least three fire stations will achieve a BREEAM Excellent rating while the remaining 13 stations achieve a BREEAM Very Good rating. The team proposed this strategy as they felt it exceeded the requirements of the customer while retaining a best-value approach to capital expenditure.

### Communitas Award for leadership in environmental responsibility, US

Heery was the proud winner of the 2010 Communitas Award for its nationwide sustainability efforts. While not every customer seeks formal certification, Heery employees believe it is their responsibility to educate customers about the long-term benefits of sustainable design and construction, often going the extra mile to help customers reduce their carbon footprint while reducing their own.

### University of Reading – Halls and Catering redevelopment project, UK

This £100m project demonstrates how to produce passively low-carbon buildings utilising high energy efficiency design and substantial levels of insulation.

Parsons Brinckerhoff successfully worked with the customer on sustainability designs resulting in new halls of residences with BREEAM and Secure by Design certification.

The team helped the university develop a 10-point plan for sustainability success to meet the university's objectives over the five-year duration of the project.

**Thanet offshore wind farm, UK**

Offshore wind is a major new market for us. Investment in the UK alone is estimated at £100bn over the next decade. Balfour Beatty is preferred bidder on the world's largest offshore wind farm project at Thanet, south-east England. Once financial close has been reached, the company will own, operate and maintain the offshore high-voltage transmission assets of this 300MW capacity scheme. This transmission network will connect the Thanet wind farm to the onshore electricity transmission system, under a 20-year licence awarded by the UK gas and electricity markets regulator Ofgem.

**Construction excellence in Wales, UK**

We delivered Cardiff City Council's first BREEAM Excellent building in 2010. Tŷ Gwyn Special School accommodates some of Cardiff's most severely disabled pupils and is a Construction Excellence in Wales demonstration project, in recognition of its breadth of sustainability features and the collaborative approach taken throughout. State-of-the-art facilities include a hydrotherapy pool and the project was used to encourage 14-year-old school girls to pursue a career in construction in conjunction with Women into Science, Engineering and Construction (WISE).

"The Tŷ Gwyn project was all about teamwork. We had a good relationship with everyone involved from the client and design team to supply chain and end users, which stemmed from the inclusive approach that was taken from the very start."

**Ross Williams**

Project Manager, Cowlin

Read more [www.cewales.org.uk/2010/12/ty-gwyn-special-school-demo/](http://www.cewales.org.uk/2010/12/ty-gwyn-special-school-demo/)

**Together towards sustainability at Heathrow, UK**

We are playing our part, as one of 16 major employers at Heathrow, in working together to deliver a more sustainable airport. Waste, transport and employment and skills have been identified as priorities by the Heathrow Sustainability Partnership. Balfour Beatty is leading the employment and skills working group and will be developing plans in 2011 to help maximise opportunities for both local residents and employers.

Read more at [www.heathrowairthought.com](http://www.heathrowairthought.com)

"We are pleased that Balfour Beatty is supporting our efforts to create a sustainable Heathrow of which the UK can be proud.

Balfour Beatty's expertise in working with supply chains and developing employment opportunities through major projects is a welcome addition to the partnership."

**Colin Matthews**

Chief Executive Officer, BAA and Chair of the Heathrow Sustainability Partnership

**Sustainable re-design influences project go-ahead, UK**

Our experience tells us that the earlier we get involved in the design process, the greater our opportunity to influence more sustainable outcomes. For example, on a Liverpool city-centre road scheme the original design called for construction of a 1,700m<sup>3</sup> concrete wall. We suggested a sustainable alternative that was also far cheaper, as project manager Mark Reed explains. "We came up with an alternative reinforced earth structure design to replace this material with 10,000m<sup>3</sup> of 'site-won' sandstone. Not only did this option reduce the need for so much concrete, it was £250,000 cheaper, which was key to the scheme gaining full funding approval."

# INFLUENCING FOR SUSTAINABILITY

As we operate across the infrastructure lifecycle, we have a major opportunity to influence the direction of the emerging sustainability agenda to help grow our business. During 2010, we increased our efforts to influence across a range of topics from low-carbon refurbishment to ecology.

## Why this matters to us

Influencing the market to adopt more sustainable outcomes will help the long-term growth of our business. We want our customers and investors to choose Balfour Beatty because we contribute to their long-term profitability and success through more sustainable infrastructure.

We believe we have a responsibility to positively influence a range of stakeholders around sustainability issues. Differentiating our services through sustainability will help us to win work in existing markets and capitalise on new business opportunities in the multi-billion pound low-carbon and resource-efficient economy.

## Our approach

We seek to influence a more sustainable approach to the provision of infrastructure by:

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Targeting our research and thought leadership on key issues such as carbon and emerging ones such as water

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Partnering with a range of organisations to help influence the development of standards and practices in our sector

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Sharing our successes and raising awareness of our sustainability capabilities and expertise with our stakeholders.

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By October 2010, 28% of our businesses had incorporated sustainability into their marketing materials. The others will do so by the end of 2012 as part of their roadmap commitments.

## Thought leadership

The table below summarises some of the things we have been doing across the Group to influence the wider sustainability agenda:

Topic	Description
Sustainable infrastructure	<p>Ten years in development, CEEQUAL is now the sustainability benchmark for civil engineering schemes in the UK. We will seek opportunities to pilot a new international version in 2011 and influence its development.</p> <p>Balfour Beatty Rail Italy completed its two-year EU-funded research project at the end of 2010 to quantify the environmental impacts of rail infrastructure. Ballast, rail sleepers, concrete, cables, electrical/electronic components and chemicals were identified to have the largest environmental impacts. A sustainable procurement methodology was developed to allow the European rail industry to select products with the lowest impacts. More information at <a href="http://www.infraguider.eu">www.infraguider.eu</a></p> <p>The Desert Flower research programme initiated in Australia by Parsons Brinckerhoff is looking at a new concept for self-sustaining structures generating all their water and power needs from the ambient environment. Opportunities are being sought to pilot this approach.</p>
Leadership and training	<p>Balfour Beatty is a strategic partner and sponsor of the development of the UK Green Building Council's sustainability leadership course in conjunction with Cambridge University (<a href="http://step.ukgbc.org">http://step.ukgbc.org</a>) which, when released in early 2011, will drive demand for more sustainable infrastructure.</p> <p>We sponsored the development of the Sustainable Building MSc course at Liverpool's John Moore's University, in the UK.</p> <p>In conjunction with the UK's Strathclyde University, Parsons Brinckerhoff also sponsors 10 studentships for Masters by Research degrees in sustainable infrastructure and climate change adaptation.</p> <p>We are a founder member of the Emirates Green Building Council in the UAE and George Shields, General Manager of BK Gulf, sits on its Board.</p>
Procurement	<p>We are working with the Office of Government Commerce (OGC) on developing a common cross-departmental approach to sustainable procurement for UK government.</p>
Carbon	<p>Last year's report highlighted the research we had undertaken on modelling how the UK's 80% CO<sub>2</sub> reduction target could be achieved by 2050 – see <a href="http://www.pbpoweringthefuture.com">www.pbpoweringthefuture.com</a>. Since its publication, we have worked with the Department of Energy and Climate Change (DECC) and shared our experience in the calculation engine used in the modelling process. We are looking to develop our ideas further with DECC.</p> <p>We are developing the next generation low-carbon site accommodation cabin.</p> <p>We are pioneering low-carbon school refurbishment in the UK and zero carbon new-build schools in Texas, US.</p> <p>Through the Strategic Forum for Construction carbon action plan we are contributing to three working groups (site accommodation, site energy management and business travel).</p> <p>Through the Institute of Environmental Management and Assessment (IEMA) we are promoting mandatory greenhouse gas emissions reporting for large companies – see <a href="http://www.iema.net/ghgreport">www.iema.net/ghgreport</a></p> <p>We contributed to the UK Low Carbon Construction Review published in 2010.</p>

Materials	We are contributing to the UK Contractors Group sub-group on sustainable materials.
Water	We helped develop a sector action plan to reduce water use in the construction process.
Ecology	We have begun discussions with the Department for Environment, Food and Rural Affairs (DEFRA) on the concept of habitat offsetting as part of the government's White Paper on the Natural Environment due in Spring 2011. This aligns well with our roadmap.

## Innovation

Innovation is a key component of our 2020 vision.

### XiSpan, UK

Our XiSpan product has the potential to transform bridge strengthening in the rail sector.

Many of the 25,000 masonry arch underline bridges on the UK rail network are over 100 years old and will need strengthening to cope with future increases in rail traffic, at a time when budgets are under pressure to deliver more with less. In conjunction with Sheffield University, Balfour Beatty Rail UK has developed XiSpan, which uses a polyurethane solution to form a strong matrix composite material with the track ballast. The resulting 'raft' increases the bridge's load bearing capacity 2–3 times and reduces the need for more costly and carbon/material intensive techniques traditionally used for bridge strengthening.

### Integrated Biofiltration Noise System, Hong Kong

By combining existing noise barrier technology with innovative thinking, Gammon Construction designed a 'living' noise barrier, using recycled office waste as a drought-resistant compost-growing medium. Environmental benefits include improved aesthetics for temporary screens during construction works, even better noise reduction and improved air quality as well as a providing a new disposal route for re-using waste from project offices.

## Communicating sustainability externally

We believe the media can help to demonstrate our progress around sustainability and underlining our vision. Online, broadcast, print and social media provide our stakeholders with updates on our efforts while reinforcing our vision of sustainability as a collective responsibility. We used a supplement in The Times newspaper in the UK in September to promote our view that sustainability goes beyond carbon and offers a collective responsibility to move the agenda forward with customers, developers, contractors and their supply chains working together for a more sustainable future.

In November 2010, we invited media representatives from the construction and sustainability press in the UK to learn more about our progress in implementing the 2020 vision and roadmap, one year on from its launch. This event was followed by site visits to our A46 zero waste to landfill project.

## Our plans for 2011

Influencing the market will remain challenging in a tough economic climate, where the short-term focus is on cost and capital budgets are disconnected from operational budgets.

We will continue to:

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Promote and track our sustainability successes, capabilities and thought leadership to the media and relevant industry and trade bodies – particularly outside the UK

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Promote sustainability in all our marketing plans so that our customers appreciate our capabilities and increasingly select more sustainable options

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Maintain our focus on being transparent and open in reporting our sustainability performance to stakeholders.

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## Stakeholder views

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“Balfour Beatty’s encouragement and support in the development of our STEP leadership programme with Cambridge University will help drive transformational change throughout the built environment sector by engaging the leading senior executives who now recognise sustainability as a key business issue.”

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**Paul King**

Chief Executive, UK-Green Building Council

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“Our Powering the Future report has been shared with DECC to help inform the development of its Pathways to 2050 Project.”

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**Paul Willson**

Deputy Director of Engineering, Generation, Parsons Brinckerhoff, Manchester, UK

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“The Scottish construction sector together with the construction industry has a vital role to play in cutting the UK’s carbon emissions.”

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**Tim Clarke**

Balfour Beatty Construction’s Divisional Managing Director for Scotland and member of the UK Government’s Innovation and Growth Team’s 2010 report on Low Carbon Construction ([www.bis.gov.uk/constructionigt](http://www.bis.gov.uk/constructionigt))



## Awards

Balfour Beatty was one of two companies highly commended in PwC's 2010 Building Trust Awards, benchmarked against the entire FTSE 250 for its 2009 Sustainability Report. The judges noted that the report "provides a transparent and highly readable account of the global trends, macro-economic context and issues impacting the business. The performance update is particularly clear, and an innovative scorecard provides a comprehensive description of the key sustainability issues, each of which is discussed in more detail in the individual sections."

### Award-winning so-lotion

We believe that our Green Apple Award-winning eco-lotion site accommodation unit is already the most sustainable available on the market with its innovative battery pack design, waterless urinals, integral rainwater harvesting and effluent incinerator unit reducing CO<sub>2</sub> emissions by up to 80%. In 2011, we will be teaming up with the University of Strathclyde, the Building Research Establishment and Arup to develop the next generation of low-carbon cabin.

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# HEALTHY COMMUNITIES

Balfour Beatty consists of 50,000 people, designing, building and maintaining infrastructure to serve communities. People and communities are at the heart of our business. This section reviews how we see our responsibilities to them and how we translate those responsibilities into action.

Our pre-eminent concern must be safety – not only of our own people, but of everyone we come into contact with. Our sustainability as a business depends on how successfully we recruit, develop and motivate our people, so this must be a priority too. And our wider responsibility to the local communities wherever we work.

## Extinguishing safety risks

## UAE

Zero Harm means the same wherever in the world we work. But the way we make it happen is tailored to every project and workforce. Our BK Gulf joint venture in the UAE, with its multicultural workforce, puts particular emphasis on communication and training: all its safety officers are multilingual.

### What we're doing

Rather than just complying with local regulations, BK Gulf has transferred UK and international best practice to Dubai.

The company also makes effective use of new techniques and products to reduce hazards. Last year, it completed over a million hours' work without a single lost time incident on the extension to the gigantic Mall of the Emirates, thanks in part to its use of pre-fabricated wiring and pipework modules – the first system of its kind to be approved in Dubai. These eliminated the need for hot work (such as welding) on-site.

Fire hazards are perhaps the greatest risk to BK Gulf's employees. To cut this risk, the company formed a close partnership with pipe jointing specialist Victaulic. Using a no-flame solution has removed virtually all welding and hot-work operations from its project sites and eliminated dangers such as fuel tanks, torches and lead lines.

### The impact

Across all its projects, BK Gulf clocked-up 21.4m man-hours without a reportable incident between October 2009 and November 2010.

In December 2010, it won the Middle East Health and Safety Achievement Award at the MEP Awards, held in Dubai.

"I have been working in BK Gulf for the last four years and since we introduced Zero Harm I have seen a lot of improvement and commitment to safety. BK Gulf is taking more care of the operatives by providing more education."

**Arifur Rahman**, Pipe Fitter, BK Gulf

"Health and safety is a constant undertaking, from the grass roots up, that involves communication and making it personal."

**James Keirle**, Safety, Health, Environment and Quality Manager, BK Gulf

# HEALTH AND SAFETY

Our industry-leading safety performance maintains our licence to operate, strengthens our reputation as a trusted employer and partner, and helps differentiate our offering, particularly to customers with a similar focus on safety excellence. But it cannot be embraced from above: we aim to ensure that everyone sees safety as a responsibility they share.

## Why this matters to us

Our employees have a fundamental right to enjoy safe work and go home every day free from injury. In addition, no member of the public should be put at any risk from our activities. These two guiding principles underline our approach to health and safety, which is core to our own reputation and that of the industry. As a leading infrastructure business it is also our responsibility to demonstrate best practice and help drive change within the industry.

By looking after our employees, we will encourage them to look after themselves and others affected by their activities, so that we strengthen our reputation as a trusted employer and supplier of high-quality, safe services to our customers. Only by setting the highest standards for ourselves will we be able to retain the trust of our customers and the people using our infrastructure.

Indeed, our industry-leading safety performance helps differentiate our offering and maintains our licence to operate – particularly for customers with a similar focus on safety excellence.

We have always set ourselves high standards in safety, but in October 2008 we went further still, committing to reach Zero Harm across all of our businesses. The programme is now two years into its journey and Zero Harm thinking has been adopted and embedded across all our businesses.

## Our Zero Harm journey

We will achieve Zero Harm with zero deaths, zero injuries to the public and zero ruined lives among all our people. This means no seriously disabling injuries, no long-term harm to health and the goal of a zero accident frequency rate.

## Embedding Zero Harm

Every business has been visited by senior Group leaders during the year to review progress on Zero Harm with employees, partners, subcontractors and suppliers.

There is still work to do on identifying ways in which we can eliminate and reduce risks. Each business has identified its top five fatal risks and is sharing best practice to eliminate, then reduce, then mitigate the risks. High on our agenda are:

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Working with electricity

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Working at height

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Lifting operations

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Plant and equipment operation

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Falling objects

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Contact with moving vehicles

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Driving.

We have made a number of bold commitments, such as no hot works on site (eg use of grinding and welding equipment), to drive risk reduction. Several businesses have adopted 'golden rules' to steer behaviours on site.

## Leadership programme

We initiated Leading Change: Driving the Safety Agenda for our senior managers in 2010 to equip them with the leadership skills to deliver Zero Harm collectively within their businesses. See Leading Change on page 59.

## Zero In

Zero In is a suite of assessment tools, developed by us with help from leading strategy and risk thinkers, to be deployed after leadership teams have completed Leading Change: Driving the Safety Agenda.

The tools measure vital indicators for organisational readiness for Zero Harm. Pioneer businesses trialed the full suite of tools towards the end of 2010, ready for Group-wide roll-out in 2011.

## High potential incidents

We have put increased focus on our reporting of high potential incidents – those incidents where a small change in circumstances would have led to a significant injury or fatal outcomes. These are subject to full root cause investigation and senior management review, so that we can learn any lessons before people are injured. We have used these lessons to inform our risk agenda and focus our efforts on eliminating these risks.

In 2010, 200 high potential incidents were reported, an increase of 41 from 2009, which we believe is due to improved reporting.

## Our safety management framework and standards

Our Group Health and Safety management framework sets out our vision for health and safety. We publish Group minimum expectations for managing health and safety and Group health and safety standards and guidance notes. In addition, each operating company has its own safety management system (SMS) which is certified to OHSAS 18001, ISO 9001 and 14001, or equivalent, and is independently audited.

## Our impact

We assess our impact in three ways:

1. **Risk elimination** where we rethink ways of working to eliminate risk at source. Initiatives range from creating 'Formula 1' workshops in Plant and Fleet Services to tackling driving risks at source
2. **Cultural change** where our aim is to embed Zero Harm; the Leading Change: Driving the Safety Agenda programme is key to this
3. **Assessing our progress** via performance data.

## Tracking

We track four key indicators of safety performance:

The number of fatalities

The number of permanently disabling injuries (preventing a person returning to their normal duties on a permanent basis)

The Accident Frequency Rate (AFR) ie the number of reportable (major and over three-day) accidents per 100,000 hours worked

The number of injuries to the public and third parties arising from our work.

Our data covers all workers on our project sites (both our own employees and sub-contractors) in our businesses and joint ventures where we have operational control. US sub-contractor data is not fully reported as this is not common practice to provide this information.

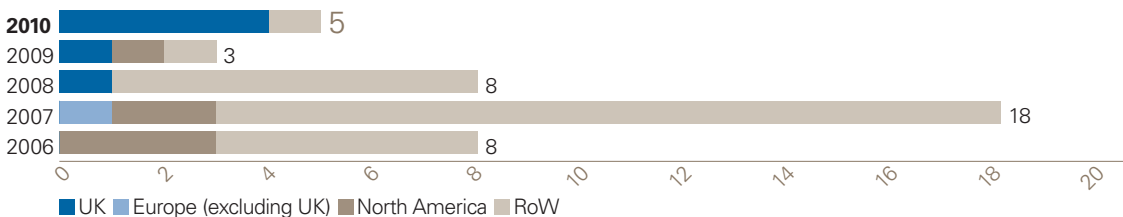
### Fatalities

Our target is zero deaths. Tragically in 2010, there were five fatal accidents, four in the UK and one in Indonesia (2009: three). Two deaths were due to falls from height; one was due to an excavation collapse, one to electrocution and one to crushing by plant machinery. Five fatalities is five too many and we must redouble our efforts on eliminating fatal risks. Each fatal accident has been subject to a thorough investigation, some are ongoing, and have been reviewed by the Balfour Beatty Board. We have identified that a sudden change in the work methods or work environment has been a common contributory cause of these incidents. We will act on this and provide an update of our progress in our next report.

These tragic incidents have served to remind us that, despite the progress made and commitment to Zero Harm across the Group, there is more we have to do to eliminate the risks and shift this culture. We will be redoubling our efforts to make sure and safety performance doesn't plateau in 2011.

We will continue to seek to eliminate risk company-wide.

### Trend in fatalities – 2006–2010



### Permanent and disabling injuries

There were two permanently disabling injuries in 2010, a slight improvement on three in 2009, but still demonstrating the amount of work to be done.

	2006	2007	2008	2009	2010
Permanently Disabling Injuries:	6	2	6	3	2
Members of the public/3rd party Injuries:	144	158	178	156	159

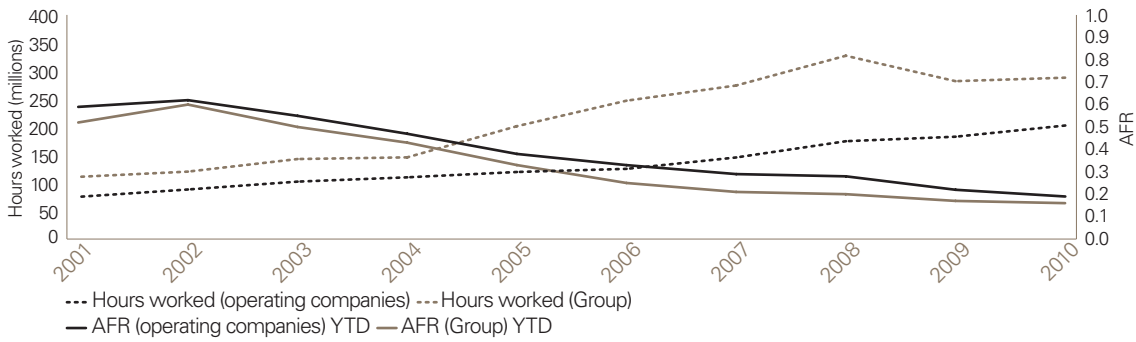
### Injuries to the public/3rd parties:

159 injuries to the public were reported in 2010 (156 in 2009), of which 90% were of a minor nature.

**Accident Frequency Rate (AFR)**

Our AFR in 2010 was 0.16 for the Group, a 6% reduction on the previous year (0.17 in 2009), and a reduction of 69% since 2001. Our target was that no business would exceed an AFR of 0.2 in 2010. Fifteen businesses (63% of our total) achieved this goal in 2010. In addition, all four of our international joint venture businesses achieved this again in 2010.

**AFR/hours worked (employees and sub-contractors)**



**Occupational health**

We adopt a three-stage approach in our occupational health programme:

We ensure we are legally compliant, and this is evidenced by our pre-employment screening

We ensure our employees are fit for work and undertake regular occupational health screening. We undertake drugs and alcohol screening and refer any employees who may develop work-related conditions onto specialist help

We support the well-being of our employees by providing diet and healthy lifestyle information and support.

In 2010, we significantly increased our occupational health screening programme with 9,101 employees worldwide received screening (6,721 in 2009). Of these 8% were referred for further medical examination (14% in 2009). No cases of silicosis were reported across our business (zero in 2009).

## Benchmarking

The 2009/10 HSE UK construction industry reportable major injury incidence rate is 230 per 100,000 workers. All our UK construction businesses achieved a major injury incidence rate lower than this in 2010, with an aggregated incident rate of 167 (27% better than the UK construction industry) (source: Health & Safety Executive).

Gammon Construction recorded an incident rate per 1,000 workers of 5.5 in 2010 (6.2 in 2009), which is 90% (90% in 2009) better than the Hong Kong construction industry average of 54.6 (source: Construction Industry, Labour Department).

In Italy, compared to the equivalent INAIL/ISTAT reportable incident rate for industry per 1,000 workers of 63.7 in 2009 (2010 data not yet available), in 2010 our Italian rail business had a reportable incident rate of 4.63 – a performance 93% better than the national industry average.

All our US businesses fared significantly better than the most onerous industry averages in both total recordable and also lost time injury rates.

	Total recordable injury rate <sup>1</sup>	Lost time rate <sup>2</sup>
Balfour Beatty US businesses	2.01	0.28
<b>US Benchmark Data for 2009:</b>		
<b>OSHA Construction 2009</b>	<b>4.3</b>	<b>1.6</b>
Heavy and Civil Engineering Construction 2009	3.8	1.4
Construction of Buildings 2009	3.7	1.2

Rate of injuries for US Construction Sector vs. Balfour Beatty US businesses (2009 data published by US Bureau of Labor Statistics in October 2010)

<sup>1</sup> Total recordable injury rate = number of recordable injuries per 200,000 hours worked

<sup>2</sup> Lost time rate = number of lost time injuries per 200,000 hours worked

## Fines and convictions

Balfour Beatty operating companies were convicted and fined a total of GBP 38,840 equivalent in 2010 for the following health and safety offences:

Balfour Beatty Ground Engineering was prosecuted by the HSE under section 3.1 of the H&S at Work Act in connection with a rig overturn incident that took place in Hull in 2007. Fined GBP 25,000 plus costs of GBP 17,676

Balfour Beatty Rail International (Spain) – Fined EUR 8,196 following an electric shock that took place in March 2009

Balfour Beatty Rail International (Italy) – Fined EUR 1,600 (for joint liability) due to an infringement in 2009 by a subcontractor regarding their Safety Programme Document for work

Gammon Construction received one conviction during the period in relation to eye protection. Fined HKD 11,000

Balfour Beatty Construction LLC received a citation and USD 7,000 penalty following an incident in 2009 where it was considered by the Occupational Safety and Health Administration that a sub-contractor was working in proximity to electric circuits without protection against electric shock.

Health and safety fines in 2009 amounted to the equivalent of GBP 13,400.



## Our plans for 2011

We will continue to:

Focus on leadership, culture and risk elimination

Launch Zero In across the Group.

### Zero Harm award winner

The winner of the Rail Zero Harm Award 2010, Jim Erskine, challenged working practices at the South Queensferry foundry in the UK, where the traditional movement, positioning and pouring of molten metal posed potentially fatal risks. By introducing a new remote control system using laser positioning, he eliminated the potential risk for four operators.

## Awards

### BK Gulf

BK Gulf won the Middle East Health and Safety Achievement Award at the MEP Awards 2010, held in Dubai.

All entrants to the awards understood safety to be a prerequisite on a construction site and one which has to be monitored, supported and proactively engaged with. However the judges said that BK Gulf was the “clear winner” as it demonstrated robust safety, health and environmental strategies, including Zero Harm initiatives. The judging panel also noted that BK Gulf has employed new and innovative technologies and equipment, and challenged established processes and techniques. Fire and associated hazards probably pose the greatest risk to employees within the ‘mechanical, electrical and plant’ and construction sectors, and BK Gulf is now working in close collaboration with Victaulic, a leading manufacturer of mechanical grooved pipe joining systems.

### Gammon Construction

Gammon Construction recently won the Safety Excellence category of Singapore’s Land Transport Authority (LTA) Excellence Awards. The LTA, a government agency, spearheads land transportation developments in Singapore and has been one of Gammon Singapore’s major clients for the last 25 years. The Safety Excellence award recognises an outstanding organisation which has consistently achieved a track record for good corporate-wide safety practices on land transport development.

# TALENT AND TRAINING

We place considerable emphasis on attracting and developing people with high potential. Over 350 senior managers completed our transformational safety leadership course in 2010. We will introduce sustainability objectives in the appraisal process for our senior managers in 2011.

## Why this matters to us

An engaged, driven and passionate team will be a true differentiator for us in an ever more competitive marketplace. Well developed training and development programmes help us to create the right environment for our people to excel in their work.

Customers naturally want to work with suppliers they believe have the skills and drive to exceed their requirements and expectations. They expect companies and individuals to operate with the highest levels of integrity.

We recognise that there are undoubtedly individuals in leadership positions who make a substantial difference to our strategic direction, but we also recognise that, in such a public-facing organisation, every individual has a role to play in the future success of the business.

In its 2010 survey of the UK's Most Admired Companies, Management Today placed Balfour Beatty top in the heavy construction sector for the fifth year running and 22nd overall out of 230 companies (2009: 19th out of 236).

We believe we have been successful at developing strong leaders for the business and establishing great careers for our people. However, as we become larger, more complex and more geographically spread we need to evolve some of these strategies.

Our new divisional structure creates the need for more focused senior leadership roles to manage increasing complexity, working across more joint ventures in new markets, new geographies and with new cultures and changing political and economic landscapes.

We need to be more international in outlook and experience and to ensure that our behaviours align with our values.

## Our approach

We have developed training and development programmes at both Group and operating company levels.

### Leadership framework

In the 2009 report, we highlighted our work in establishing a Leadership Framework. This has now been published and sent to our leaders and aspiring leaders. It identifies the key areas we expect our leaders to focus on and sets out the values and behaviours we expect.

All our businesses will consider how they use the Leadership Framework in their people management activities – demonstrating to our employees that there is, for the first time, a clearly defined set of behaviours and expectations for our current and future leaders. The leadership framework is founded on our values; from these, the behavioural expectations that support both our safety and sustainability agendas are developed and clearly stated.

### Leading Change: Driving the Safety Agenda

During 2010, our focus turned very much to the leaders of the business. We developed and rolled-out a programme entitled Leading Change: Driving the Safety Agenda, to help bring our leadership framework to life.

As part of developing our Zero Harm safety strategy we highlighted the need for our leaders to lead by example and be champions not just for safety but also for our values and change strategy. In conjunction with Duke University in the US, we developed a transformational programme for senior leaders which provides new perspectives on how we lead change. During its launch in 2010, 369 of our most senior leaders attended one of 19 courses run in the US, UK and Hong Kong. After the programme, leadership teams went back to their businesses to refine their Zero Harm journey plans.

As well as the 2½-day programme each delegate used our bespoke 360° feedback tool aligned to our leadership framework. Each of those using the 360° tool received coaching from an external coach and the opportunity to understand their strengths, work on their weaknesses and create a personal development plan.

“It has been an eye opener for me. It challenged me to look at things differently – it has exceeded my expectations.”

#### Maxine Wheldon

Human Resources Director, Mansell

### Organisation and People Review (OPR)

Each company undertakes an OPR with members of its executive team. Now in its fifth year, the OPR focuses on the performance and potential of the senior leaders and technical specialists within the business. Transparency and ownership is increasing with talent attraction and development firmly on the senior management's agenda.

### Talent pools

We are increasingly focusing on our talent pools, ensuring people and skills are best matched to requirements and opportunities across the Group, divisions and businesses. Talent management embraces recruitment, transfers and appointments, pay and rewards, performance, appraisals and individual development plans.

As part of this, we are looking at ways of capturing 'exit' interview data from around the Group and have a target to interview 90% of leavers by 2012.

### Appraisals

In 2010, 68% of our staff employees were involved in annual appraisals of their performance. Our target is to increase this to 90% by 2012.

### **Jobcentre Plus**

Our engagement with the UK government agency Job Centre Plus (JCP) took a major step forward in 2010 as we established a partnering relationship through a single company account manager and a dedicated JCP account manager. This has enabled all of our UK businesses to interact more directly with a dedicated resourcing and outplacement service and improved the understanding of Balfour Beatty as an employer among the JCP teams who support individuals looking for opportunities to get back into work.

### **Graduates**

We continue to believe that graduates can add exceptional value to our business and we know from experience that many who join as graduates will have long-term careers with us.

### **What they say...**

#### **Chris Kennedy is a 2007 graduate**

Chris was selected to work with a team of Network Rail and Highways Agency staff in developing a management tool to target and reduce carbon emissions associated with major construction schemes. Coordinated by Forum for the Future's 'Engineers of the 21st Century' programme, the team produced the Carbon Management Framework for Major Infrastructure Projects. The framework has now been adopted and trialled by the Highways Agency as part of its carbon management and reduction activities.

Chris said, "It was very useful to work alongside the client organisations, to gain an insight into their view of the carbon agenda and to understand where and how contractors can achieve carbon reductions. It is satisfying to know that what we produced has been adopted by clients as best practice in the construction industry."

In 2010, despite ongoing economic difficulties, we recruited 380 people (2009: 454) to our graduate programme. Our e-recruit system received over 3,000 graduate applications.

Most graduate trainees have access to:

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Development and career guidance and opportunities

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Group-sponsored training programmes

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The annual European graduate conference, attended by senior managers and providing a mix of strategic presentations and networking opportunities

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The annual Chairman's Prize for Innovation, now in its fourth year, which goes to one graduate for an outstanding idea that incorporates elements of our sustainability vision

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A feedback mechanism with senior managers.

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2010 saw the launch of the third graduate module on the Principles of Project Management Programme and the Personal and Leadership Development Programme, an experiential leadership and team-building course run in the Lake District.

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“My lasting memories are the activities, the enjoyment, and the surprise at learning so much.”

**Morven Harrison**

Balfour Beatty Rail UK

In 2010, for the first time, our graduate programme was recognised in The Times Top 100 Graduate Employers and was the second highest new entrant at 69.

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“A major factor in this achievement is the excellent training and support, something that’s strengthened by the sheer scale and scope in which graduates can have hands-on involvement. Graduates who are looking to make a sustainable long-term and positive impact are sure to thrive at Balfour Beatty.”

**The Times Top 100 Graduate Employers**

**Hong Kong’s 100 Leading Graduate Employers Awards**

In November 2010, Gammon Construction was ranked 54th in Hong Kong’s 100 Leading Graduate Employers awards. Gammon was also the sector winner in engineering services.

**The Balfour Beatty Management Development Programme**

This programme had another successful year, with 45 managers attending from across the Group. As it enters another year of delivery we will see an extra focus on sustainability through discussions about leadership behaviours and directly through sessions that consider the manager’s role in sustainability.

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“Great opportunity to learn among a variety of colleagues and in an environment where we have been able to share successes and the challenges we face.”

**Amanda Caines**

Balfour Beatty Capital

**Develop a Group-wide internal vacancy system**

In 2010 we have made significant steps towards our aim of enabling employees to see vacancies across the Group by launching our first online internal vacancy portal.

We have also developed a facility to allow employees whose roles are coming to an end to upload their CVs through their HR teams so that our internal recruiters can view potential transferring employees to fill their vacancies. Our aim is to improve the mobility of staff across the company and reduce the cost and human impact of potential redundancies.

In one month alone, over 6,000 vacancies were viewed, and in the first six months after launching the internal vacancy portal we registered 1,203 internal applications against live vacancies.

In line with our stated aim of increasing career mobility across the company, 2010 also saw 65 employees transfer between our businesses.

### **International opportunities**

Increasingly we see much of our growth in overseas markets. Parsons Brinckerhoff has brought not only substantial consulting expertise but also a broader geographical spread and increased customer base. We see opportunities to leverage those benefits to offer customers the expertise of the whole Group. During 2011, we will start to identify individuals with appropriate skills and expertise who have an interest in working in some of our less traditional markets.

## **What's next for 2011?**

We will:

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Recruit a director of talent to continue to develop and lead our talent programme

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Continue to roll-out further our safety leadership course for senior managers

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Integrate sustainability in our leadership framework

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Introduce a new appraisal process for senior managers, based around our leadership framework and including the achievement of sustainability objectives

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Continue to work towards our 2012 appraisal and exit interview targets.

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# EMPLOYEE ENGAGEMENT

If we are to be a truly sustainable organisation, thinking and acting sustainably needs to be embedded into the way our employees behave and go about their work. During 2010, our operating companies started using a variety of methods to engage employees in sustainability awareness.

## Why this matters to us

In our 2009 sustainability report, our stakeholder panel quite rightly identified the importance of employee engagement as the next critical step to embedding sustainability into everything we do and ensuring sustainability is a collective responsibility. In this section, we have expanded the coverage on how we are going about embedding sustainability into our culture. Embedding is the way we will differentiate our sustainability performance in the marketplace.

## Our progress

We employed a wide range of activities at Group and operating company level during 2010 to engage our employees on sustainability.

Employee group	Example
Business development	Workshops on winning work through sustainability, attended by business development and sustainability managers from Canada, Dubai, Italy, Hong Kong, UK and USA.
Procurement	Responsible Procurement Group established and led by procurement professionals to embed sustainability into our supply chain management processes.
Champions	We nominated sustainability champions in Balfour Beatty WorkPlace and Green Teams in Parsons Brinckerhoff to engage employees in more sustainable practices.
All employees	<ul style="list-style-type: none"> <li>– Sustainability and employee newsletters at both Group and operating company level (eg Balfour Beatty WorkPlace Green Times).</li> <li>– Employee surveys (in the UK, Mansell's annual employee survey included questions around communication and leadership).</li> <li>– Posters (Balfour Beatty Plant and Fleet Zero Harm and Sustainability journey).</li> <li>– Employee letters from Managing Directors (Balfour Beatty Construction US).</li> <li>– Quick poll surveys and podcasts (Balfour Beatty Capital and Balfour Beatty Utility Solutions).</li> <li>– Competitions (Balfour Beatty Engineering Services).</li> <li>– Case studies and news items on the Group and operating company intranets (Balfour Beatty Regional Civil Engineering).</li> <li>– LinkedIn sustainability networking group.</li> </ul>
Managers	<ul style="list-style-type: none"> <li>– Sustainability included in management development programmes (Balfour Beatty Construction Scottish and Southern).</li> <li>– Vision and roadmap training for managers (Balfour Beatty Capital Group Inc).</li> <li>– Presentations and syndicate exercises at operating company conferences (Balfour Beatty Major Civil Engineering).</li> <li>– Sustainability requirements in job descriptions and appraisals (Balfour Beatty Construction Northern).</li> <li>– Sustainable behaviours as part of our Leadership Framework.</li> </ul>
Awards	Balfour Beatty Construction Northern achieved Sunday Times Best Green Company status, which includes a detailed online employee survey.
Graduates	Balfour Beatty Rail graduates spent a day learning about sustainability at the London Olympic Park.
Other forums	Sustainability presentations delivered to specialist forums such as property managers, internal audit/risk and environmental managers.



### **Labour turnover**

Voluntary labour turnover for 2010 increased slightly to 8.6% (2009: 7.8%).

### **Representative bodies**

Many employees are members of regional trade unions or our own internal Staff Association. We have very good relationships with our employee representative bodies and they help to ensure dialogue. Our Staff Association wrote in its newsletter:

“So, in short, we believe that what is good for the company is good for the staff and vice versa... as a result of our regular meetings with management we enjoy good meaningful two-way communication and exchange of ideas and suggestions that would prove beneficial to all.”

# BENEFITS AND INCENTIVES

Many of our employees see the tangible benefits to communities that their skills and hard work helps to deliver. Many have their children educated in the schools we built, have their families treated in the hospitals we manage and travel on the roads and railways we build and maintain or renew.

In return for their enthusiasm, skills and passion, we work to create an environment in which they feel safe, motivated and engaged. We also feel it is important to give them a remuneration package that is attractive, fair and rewards individual and collective contributions.

Our operating companies have freedom to develop remuneration strategies that enable them to compete in their own markets. This is important, as we operate in a variety of market sectors and geographies. It is also critical in allowing them to bring in and retain skills that will enable them to grow. We benchmark our remuneration against the external markets.

We continue to encourage employees to invest in our business through the Company's share save schemes. In 2010, we had another SAYE scheme, when 17% of eligible employees took up an option. About 7,400 employees participate in the SAYE scheme.

In 2011, we will continue to develop long-term methods to enhance employee share ownership in our company. Senior executives are required to hold a minimum shareholding, senior bonus payments have a deferred bonus element and we are reviewing the applicability of tax efficient means to build up individual shareholdings.

Most of our UK operating companies have their own flexible benefits schemes which have a variety of benefits including eligibility to 'buy' extra holiday, discount vouchers and take the benefit of various salary sacrifice schemes including pensions, childcare, 'bike to work' and computer schemes.

## Pensions

Following the most recent triennial valuation, we agreed with the Trustees of the Balfour Beatty Pension Fund (BBPF) a level of contributions designed to eliminate the deficit over the next eight years. It comprised a one-off payment of £40m (c. £29m after tax) paid at the end of 2010 and annual deficit contributions of £48m (c. £35m after tax) from 1 April 2010.

## Senior management remuneration

The remuneration for executive Directors and other senior managers is overseen by the Remuneration Committee which comprises five non-executive Directors under the chairmanship of the senior independent Director, Robert Walvis. They review base salary, bonuses, incentive awards and other benefits. They report to the shareholders at the Annual General Meeting. As stated since 2008 report, we do not link sustainability performance to senior level remuneration.

Please see the 2010 Annual Report and Accounts for more information.

## What's next for 2011?

Each operating company will continue to implement its own engagement programmes, supplemented with further materials and processes developed at Group level, including:

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A themed quarterly sustainability poster campaign

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A DVD introducing the 2020 vision for use in bid presentations and continued employee engagement

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Standard sustainability questions for use in employee surveys

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A new sustainability website to engage our employees and other stakeholders on specific sustainability topics and debates.

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We will also launch our bespoke sustainability awareness course in both e-learning and classroom-based course formats. The course will be translated into several languages and we expect all employees, from senior management downwards, to receive this training by the end of 2011.

## Awards

Our US construction business was ranked 40th position in Fortune's 100 Best Places to Work® in 2010.

## Our stories

### Centralising our customer support in Newcastle, UK

In 2010 we announced the creation of a Customer Support Centre (CSC) in Newcastle. Newcastle was chosen following a comprehensive review of the availability of labour and premises. We are currently looking to centralise our payroll and many finance transactional activities in Newcastle. We have consulted with staff collectively and individually over the decision and subsequent implementation. This has impacted existing staff and we continue to work to reduce the impact by advertising CSC vacancies on our e-recruit system, as well as other potential positions in the Group.

# MANAGING A DIVERSE WORKFORCE

We want our employees to have the opportunities to grow and maximise their potential within the Group, irrespective of age, gender, ethnic background, colour, disability, sexual orientation or religion. We do this not only because it is right, but also because many of our customers require it of us and many of our stakeholders look to us to take a lead. The wider the talent pool, the greater the experience and expertise we have to draw on.

## Why it matters to us

We want to maintain an environment where diversity is valued. We need to be responsive to the needs of our employees, customers and the community at large and regularly review our policies to make sure they are legally compliant. Cultures, ethnicity, education levels and use of language vary considerably across the Group. Embracing this diversity can help us to appeal to a wider range of customers, suppliers and local people within the communities in which we operate.

## Our approach

We are committed to:

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Providing equal opportunities for all

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Maintaining a supportive work environment free from discrimination, harassment, victimisation and bullying

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Complying with all employment laws

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Hiring the best-qualified people

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Promoting talent on the basis of merit.

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In 2010, ethnic minorities accounted for 9% of employees across our businesses, with women representing 21% of our workforce.

The Americas operating division of Parsons Brinckerhoff has three employee networking groups in the US: the Black Professional Network, the Hispanic Resource Network and the Women's Outreach Network. Each group is tasked with developing programmes to support employee development.

In 2010, Parsons Brinckerhoff's Australian business pledged board-level commitment to enhancing the progression of women, setting targets to deliver a number of key initiatives by 2013, including the introduction of a female mentoring network and managing-director-conducted exit interviews for any senior female leader.

In the UK, our commitment to diversity has been reflected in our representation on the UK Construction Group for Diversity and formally recognised by the Olympic Delivery Authority.

## Our stories

We undertake a number of community programmes aimed at helping individuals from disadvantaged backgrounds (see Community Investment section). Among these is a long-standing relationship with The Prince's Trust. One of our proudest examples of The Prince's Trust relationship in action comes from Francis, who joined our Aquatics Centre project at Olympic Park in 2009 as a Prince's Trust 'Get into Construction' trainee.

Francis comes from a disadvantaged background and before joining the project team he struggled to find opportunities. Through his own determination and the support of the Balfour Beatty team around him, he was able to demonstrate that he could succeed against the odds. He is now employed by Balfour Beatty and completing his formal apprenticeship education programme. He is also an ambassador for The Prince's Trust and has met numerous VIPs including HRH The Prince of Wales, the UK Prime Minister and the President of South Africa. He says of his experience:

*"Working at the Olympic site! I never even dreamt of this, it is a once in a lifetime project to be a part of and I can't explain how excited and happy I am about this opportunity. My goal is to keep working hard, use the facilities available to learn and progress as far as I can. The sky is the limit."*

## Management of migrant workers and local employment

The Group operates in over 80 countries, some of which have very different laws and standards of living from those in the UK. Our joint venture company, Gammon Construction, in Hong Kong, has over 3,000 employees and, in Dubai, Dutco Balfour Beatty employs approximately 11,000 hourly-paid people in the UAE.

Parsons Brinckerhoff works in a large number of countries. To help manage this diversity, they have a number of diversity training programmes and a diversity oversight committee comprised of senior professionals who oversee and develop its diversity strategy. During 2010, the businesses shared best practice around managing and promoting a diverse workforce and we expect this to continue as more parts of the business work with each other in our delivery of services across the infrastructure lifecycle. For a case study on training and accommodation in Dubai, please see our 2009 Sustainability Report.

## Awards

Parsons Brinckerhoff has an established diversity oversight committee, supporting and directing the continued progression of diversity agendas across its businesses by coordinating events such as minority careers fairs and industry events while also promoting corporate representation across industry boards and, crucially, providing sponsorships within disadvantaged groups. This commitment has led to multiple awards for diversity including:

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2010 Corporation of the Year by The Conference of Minority Transportation Officials

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2010 Corporate Citizenship Award by The Conference of Minority Transportation Officials

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Top Diversity Employer for Hispanics by Hispanic Network magazine

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Modern Day Technology Leaders (Black Engineer of the Year Awards)

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Rosa Parks Diversity Leadership Award (Women's Transportation Seminar)

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Outstanding Leadership in Advancing Women in Transportation (Women's Transportation Seminar)

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'One of the best civil engineering firms to work for in the US' (National Society of Black Engineers)

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Agency of the Year (International Chinese Transportation Professionals Association)

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Most Admired Companies (Career Communications Group)

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Top Engineering and Technology Company (Black EOE Journal)

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Top Diversity Employer (Black EOE Journal)

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Top Supporter of College Grads

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Top Supporter of Historically Black Colleges and Universities (Council of HBCU Engineering Deans)

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Parsons Brinckerhoff's Indianapolis office won the top honour in the tenth Mayor's Celebration of Diversity awards, in recognition of the fact that half its 60 employees in the city are women.

In the UK, the Olympic Delivery Authority presented us with the award for the contractor which had contributed most to the diversity agenda.

# EMPLOYEE WELL-BEING AND ABSENCE

We are a people business and our recognition of that fact ensures that we maintain our focus on supporting our employees to achieve their highest potential, at the same time as leading healthy and balanced lives.

The overall absence rate for 2010 was 2.11%, flat against a rate of 2.12% in 2009.

For employees normally based on Balfour Beatty work sites, we provide pre-employment health screening and monitor them regularly throughout their time with us. Where any evidence of health problems arises, we work with the affected person to ensure that nothing in their work activities causes further deterioration or risks doing further damage. In many cases, a simple job rotation or transfer onto alternative duties can solve a potential problem.

Our occupational health programme has a three-stage approach. We ensure we are legally compliant, that our employees are fit for work, and that we support the well-being of our employees by providing diet and healthy lifestyle information. However, where workplace stress is reported or suspected, we will always act to assist those affected. In 2010, we delivered stress recognition programmes to 66 employees in the UK, and 179 globally.

We actively encourage reporting of safety near misses in the workplace via our Tr@ction system. Where our employees feel they can report health and safety incidents with no recriminations, we believe they will continue to trust Balfour Beatty to look after them. We also believe that by investigating and trending this data, we can make our workplaces safer, healthier and more conducive to the quality of work we seek from our employees.

## Global Corporate Challenge

During 2010, our Group Safety, Health and Environment team promoted the Global Corporate Challenge® (GCC) ([www.gettheworldmoving.com](http://www.gettheworldmoving.com)) across all of our businesses worldwide, to foster a spirit of intra- and inter-company competition, and help our employees to improve their physical fitness in the process. The GCC has clinically proven results and the endorsement of some of the largest organisations in the world. We entered 283 teams with 1,981 participants who took 2,431,003,224 steps in total.

## Our stories

Ornella Torti took part in the GCC in Italy.

"I was delighted to be one of Balfour Beatty Rail's participants in the GCC 2010, the world's largest and most exciting corporate health initiative. It was the first time I had ever taken part in a virtual journey around the world with options of walking, cycling or swimming with a team of seven colleagues. We were delighted to find out we ranked 11th in the overall Balfour Beatty leader board!

What encouraged me to take on the GCC challenge was the healthy level of competition amongst the other 1,981 participants from Balfour Beatty globally.

I used a pedometer to keep a count of how we were doing and I surprised myself by recording a daily step average of 14,786 per day. My personal best was 30,074! My team far exceeded the target 10,000 daily steps recommended by the World Health Organisation."

# OUR SUPPLY CHAIN

Our roadmap recognises the critical role of our supply chain in helping to deliver a sustainable Balfour Beatty. In 2010, we made good progress in transforming the way we assess, engage and deliver sustainability through our procurement teams and supply chain partners.

## Why this matters to us

Our supply chains are critical to the delivery of our projects, and effective engagement provides us with an opportunity to innovate for more sustainable outcomes and achieve our Zero Harm vision. We have recognised the importance of procurement in driving the necessary change by establishing a Sustainable Procurement Group.

Our supply chain can help us improve our understanding of our indirect (Scope 3) carbon emissions through the materials and services we procure in delivering our projects as well as our wider sustainability impacts. This knowledge will help us to identify areas on which to focus our improvement efforts and identify targets for the future.

## Our approach

We have developed our supply chain approach at Group and operating company level and sought to influence the development of sustainable procurement best practice in UK government.

In 2010, we began the process of transforming our procurement and supply chain activities. A Group-level strategic review, undertaken in late 2009 with consultants PricewaterhouseCoopers, developed a plan for improvement: the Group Aggregation of Common Expenditure (Project GrACE). Sustainability, Zero Harm and values were built into the project from the start.

We also worked with government and private sector organisations during 2010 to help develop thinking on a voluntary supply chain programme for sustainable procurement. The work initiated through the Office of Government Commerce's Centre of Expertise in Sustainable Procurement will be resumed by the Cabinet Office Efficiency and Reform Group in 2011.

In parallel to our strategic supply chain programme, a significant proportion of our supply chain management is devolved to our businesses. Many of our businesses hold regular 'Meet Balfour Beatty' days and supply chain conferences to communicate our Zero Harm and sustainability visions. We use supplier assessment tools such as Exor and Achilles to review performance across a range of parameters, including safety, sustainability and ethics.



## Sustainable procurement through Project GrACE

Under Project GrACE, the Group’s strategic procurement programme, we identified a number of key strategic spend categories to be addressed. These included the following in wave one:

Office supplies

Personal Protective Equipment (PPE)

Travel

Concrete

Cable

Waste management.

Significant progress has been made, including:

Identifying savings of 40% on office supplies and creating an environmental core list of products which is even more competitively priced than a typical standard range

Holding discussions with the Environment Agency to share best practice in developing a sustainable category management plan for PPE

Joining the World Wildlife Fund’s 1 in 5 campaign [www.wwf.org.uk/how\\_you\\_can\\_help/get\\_your\\_business\\_involved/one\\_in\\_five\\_challenge/](http://www.wwf.org.uk/how_you_can_help/get_your_business_involved/one_in_five_challenge/) and seeking to reduce air travel by our UK businesses by 20% within five years using a range of tools and techniques developed with the Parsons Brinckerhoff travel practice.

Each of these categories was taken through a sourcing exercise and Group frameworks were put in place with a number of market-leading suppliers. We secured financial benefits and set non-financial standards in areas of safety, sustainability, and ethics with the successful suppliers. Further categories of spend will be evaluated as we go forward and supplier development plans established to focus on key areas of improvement from a sustainability, safety and ethical perspective.

We also established a sustainable procurement working group and gave our procurement professionals support from our sustainability experts. The group developed a sustainable procurement toolkit focusing on:

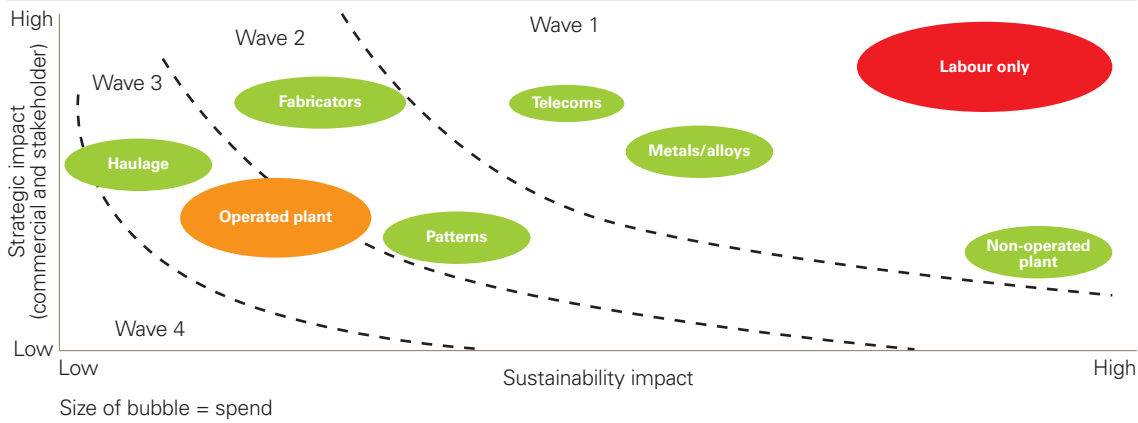
A common language and strategy for sustainable procurement based on the UK Department for Environment, Food and Rural Affairs’ (DEFRA) Flexible Framework [www.actionsustainability.com](http://www.actionsustainability.com), which aligns well with our own roadmap

A ‘heat map’ approach for assessing the sustainability risks and opportunities within the GrACE key categories of spend

Clearly defining a set of consistent sustainability questions for use within our supplier pre-qualification processes that are aligned to both our roadmap and Code of Conduct.

The heat map tool (below) was created to provide a common framework to assess each area of spend from a sustainability, operational, and commercial risk/opportunity perspective. This tool is aligned with the roadmap and flexible enough to be used and adapted by our operating companies to assess their own areas of spend that currently lie outside of Project GrACE. An example is provided below from our UK rail business; the size of the 'bubble reflects the level of spend on that category and the red, amber, green signify the ease of implementation to help prioritise improvement efforts and the identification of development plans with specific suppliers.

**Balfour Beatty Rail category prioritisation matrix**



## What's next for 2011?

Our businesses will continue to work on the 2012 expectations of our roadmap:

Carry out sustainability assessments as part of their supplier evaluation processes to identify and respond to risks and opportunities

Ensure key suppliers are aware of our 2020 vision and how they can contribute.

In 2011, the Sustainable Procurement Group will:

Continue to develop common processes and guidance under the Flexible Framework

Confirm sustainable procurement leads for each UK business and provide them with training

Share the best practice developed through the flexible framework with our US and other businesses.

A leadership team for procurement will also be established in our newly-formed Construction Services UK division to help embed the GrACE methodology into the business and extend sustainable procurement to further categories of spend (eg waves two and three).

## Our stories

### Meet the buyer days, UK

'Meet Balfour Beatty' days involve inviting local businesses to a presentation on project opportunities followed by face-to-face interviews with local businesses with the objective of assembling a directory of organisations that could then be utilised by buyers from a number of Balfour Beatty operating companies.

Blackburn with Darwen and Bolton Building Schools for the Future (BSF) was the first use of the scheme on a schools project. A key objective was to ensure that the greatest possible proportion of the money spent by the local authority resulted in local training and employment opportunities. We held meetings with 300 local organisations, and half went on to tender to become a Balfour Beatty supplier.

### On-site materials hub at RAF Lakenheath, UK

We are building 600 homes for US Air Force personnel at RAF Lakenheath. Mansell partnered with builder's merchant Jewson to create a central distribution hub for material deliveries, which were then palletised in house units for direct distribution to plots as required. Benefits included significant reductions in the project's carbon footprint and nil waste to landfill.

## Stakeholder views

“Developing a sustainable procurement approach for a diverse and fragmented supply base of 130 waste contractors has been challenging. Progress is now being made on skip waste – better data, lower costs and less to landfill.”

**Jennifer Moran**

Senior Category Manager Materials and Equipment, Balfour Beatty Utility Solutions and category lead for waste management, Project GrACE

“WRAP partnered with Balfour Beatty to embed best practice contractual conditions into its waste procurement exercise and looks forward to working with the GrACE team again in 2011.”

**Estelle Herszenhorn**

Construction Project Manager, WRAP

“We have been working with Balfour Beatty and other organisations to help develop a voluntary supply chain programme across government, with the intention of improving the overall sustainability of central government departments. This government is aiming to be the greenest government ever.”

**Samantha Dunn**

Head of Sustainable Supply Chains, Cabinet Office, UK

## Awards

Balfour Beatty WorkPlace achieved Gold level award status under the Lord Mayor of London's Green Procurement Code for its facilities management work for the Metropolitan Police Authority. The award was based on five areas of procurement, linked to our sustainable procurement policies and procedures – people, policy, process, supplier and measurement.

# COMMUNITY ENGAGEMENT

We care about how our actions affect others and wish to contribute positively to communities wherever we work – not simply through the lasting infrastructure we leave for the public, but in our wider contribution to those communities.

## Why it matters

Respect for communities is one of our values. We appreciate the legitimate interests that many individuals and local communities have in the way we do business. By engaging with these individuals and communities, early and consistently, we can identify and deliver additional value through our projects.

Our customers increasingly wish to see our demonstrable involvement with local communities within bid documentation. Providing local training and employment opportunities is now a key element in delivering public sector work and, through the breadth and scale of our activities, we can make a very positive contribution to communities.

Delivering projects with community benefits and employing local labour is a key differentiator in winning work on many public sector contracts.

## Our approach

To help us to manage our community engagement programmes, our Code of Conduct explicitly highlights our commitment to respect the communities around us. Our roadmap requires our operating companies to optimise the use of the local labour force and suppliers. Furthermore, we encourage them to receive, understand and act on local stakeholder views and aspirations for projects.

Consultation with local people often involves leaflet drops, project websites, communication via social media and community discussions or exhibitions. To ensure we listen to our stakeholders as well as inform them, our larger projects have permanent community relations staff, ensuring that we liaise with key stakeholders on a regular basis. They aim to create a sense of community ownership throughout our projects in our relationships with local authorities, schools, community organisations, residents and local charity partners. By engaging local people in our projects early, we are able to learn from their knowledge.

## Our stories

### Giving a city street the kiss of life, US

Some streets are destinations. Others are just roads to cross. In Denver, Colorado, US, 14th Street links cultural and civic assets including the Center for Performing Arts, the Convention Center, historic Larimer Square, hotels and new buildings worth hundreds of millions of dollars. But it lacked cohesion or a sense of place. The city wanted to change that. Developers and property owners did, too. It was an opportunity to do something unique. But what?

We proposed to make 14th Street an 'ambassador street' that's a front door to the city and Downtown's cultural centre. Our redesign widens the sidewalk to support spill-out cafés, and extends intersection corners into bulb-outs for greater ease of walking and stimulate life on the street. There's plenty of room for pedestrians and cyclists, and amenities such as planters and wayfinding monuments. And we paid careful attention to lighting, because of the 24/7 activity.

But first we had to build stakeholder consensus. We worked with all the local commercial interests to agree what support they would contribute. Some wanted a very high-end finish; owners of sites such as parking lots wanted something more standard. There was a lot of negotiation to do but, in the end, we were able to form a general improvement district (GID) with premium and standard areas appealing to all respective owners.

The initiative originally envisaged a US\$30m-plus budget; we came up with a US\$14m design more attuned to lean times.

### The impact

Most importantly: it's happening. Construction started in late 2010, for completion in late 2011

The scale and complexity of the plan made it difficult to communicate effectively. So the Parsons Brinckerhoff Project Visualisation team developed an inspiring 3D animation to win support. It shows how a revitalised street could add value to properties, businesses and the city – igniting economic development and creating a sustainable, people-friendly space that works day and night, whatever the season

This helped us with the critical first step – mobilising the capital. In the end, the City brought the first US\$10m to the table, and the GID added US\$4m and agreed to fund the annual maintenance.

"Most cities can't afford all these amenities on their typical public works budget – to make the economics work you have to get the commercial interests on board. I believe this model will be used again to facilitate improvements in Denver's Downtown – and you could apply it just about anywhere else."

### Jamie Price

Senior Project Manager, Parsons Brinckerhoff

### **Launch of apprenticeship programme, UK**

In 2010, we launched Balfour Beatty Apprenticeships (BBA), as part of the Building Schools for the Future (BSF) programme.

Delivered initially in partnership with the North East Apprenticeship Company, the scheme gives young people the opportunity to participate in apprenticeships in a range of occupational areas including construction trades, information communications technology and facilities management, while working with Balfour Beatty's supply chain companies.

The apprenticeship programme, designed to be flexible and sustainable, has been created to deliver a long-term skills legacy to local communities. Twelve Balfour Beatty apprentices are now employed on projects in Blackburn with Darwen (Borough Council), Knowsley and Hope Hospital, Salford.

Plans for 2011 include launching BBA as part of our ongoing schools projects in Derby, Hertfordshire and Oldham and across the north west as well as rolling-out the programme in Stoke and Hartlepool.

### **Bridging the gap keeps communities together, UK**

The Burn Closes project, Wallsend involved the demolition of an existing bridge and the construction of a new bridge. The existing bridge provided an important pedestrian link between two communities and the tender enquiry was based on the provision of a temporary footpath down into the valley and up the other side.

Our proposal to install a temporary pedestrian footbridge while we demolished and rebuilt the bridge was instrumental in securing the work. Community engagement at the tendering stage identified local concerns about community separation during the works. Our solution scored highly in the bid evaluation process and was decisive in securing the contract.

### **Heery reaches out to Atlanta schoolchildren, US**

Heery, part of Parsons Brinckerhoff, worked in tandem with Atlanta Partners for Education, a joint venture between the Metro Atlanta Chamber of Commerce and Atlanta Public Schools, to provide opportunities for local children as part of its community engagement programme.

Heery's school partnership team arranged for facility tours of the Georgia Dome and the Georgia Aquarium, which brought maths lessons to life, took disadvantaged children beyond the boundaries of their inner-city neighbourhood, and even organised a college t-shirt day to show children the opportunities college affords. The partnership is continuing into 2011.

### **Football for all in Bolton, UK**

Balfour Beatty teamed up with Show Racism the Red Card and Bolton Wanderers Football Club to host an anti-racist educational event at the Reebok stadium in Bolton, for over 100 local school pupils. Show Racism the Red Card ([www.srrtc.org](http://www.srrtc.org)) is a charity that harnesses the high profile of professional footballers to help combat racism.

### **Rosa Parks Transit Centre, Detroit, US**

Overcoming initial local opposition was key to the success of the design and build of the US\$22.5m Rosa Parks Transit Center in Detroit. Local businesses didn't want a bus station in their neighbourhood because of the poor and dangerous reputation of downtown bus stations. But part of the brief for Parsons Brinckerhoff was to make this building iconic, inspiring and a focus for regeneration of the area. Parsons Brinckerhoff faced a dual challenge: not only to design something that would be an asset to the community but also, crucially, to convince the community that it could be done. We achieved the former through inspired design, and then won the community's support through its community engagement and use of accessible visualisations.

### **Young offender career options, Portsmouth Ferry Terminal, UK**

Mansell has made a positive contribution to young offender's lives by giving them the opportunity to visit a live construction project. The youngsters toured the Portsmouth site where the team is busy building a new ferry terminal building.

Andrew Diggie, Connexions Team Leader for Wessex Youth Offending Team, praised Mansell for engaging with the offenders: "This was a fantastic opportunity for our young people to experience a real site. I am sure that this visit has given them the confidence to make a positive move forward in their lives."

## Stakeholder views

### A3 Hindhead Tunnel/Road, UK

“We live very close to a large Balfour Beatty project and we’ve been really impressed by how positive the whole experience has been. We have been consulted and any concerns have been heard and addressed.”

#### Lynn and William Broadhurst

Hindhead residents, UK

### Hull BSF, UK

“Very impressed with the community engagement. The whole ethos is sustainability-led. Balfour Beatty is always looking for new opportunities to excel.”

#### John Parker

Head of hearing service, ESHV (Educational Service for Hearing and Vision)

### Balfour Beatty Apprenticeships

“I would suggest to anybody looking at getting into the construction business, to do what I have done and get an apprenticeship with a high-standard company like Balfour Beatty... If you ask me, anyone who hasn’t been down this path is missing out.”

#### Ethan Vernon

The first apprentice to be recruited to work on our Blackburn with Darwen and Bolton schools project in the UK

## What’s next for 2011?

We will continue to engage with communities around our sustainability vision in projects across the world and build in knowledge and valuable local insights into our designs, bids and operations.



# COMMUNITY INVESTMENT

Investing in the communities in which we work helps us to make a long-lasting contribution to society and to local people in parallel with our work in the physical environment. We believe that sustainable investments are key to supporting communities in the long term.

Actively engaging with local communities to deliver social benefits is not just a good thing to do; it is the right thing to do and is a responsibility that companies like ours have to the communities in which we work and live. We operate across multiple communities and it is important that our involvement goes 'beyond the contract'. Being a good citizen is just as important as being a good company. Community involvement is also a great way to motivate employees, ensuring that any funding is matched by actions.

## Our approach

Due to the size and diverse nature of the Group, whatever we do at a corporate level needs to be clearly focused to make a substantial and measurable contribution to a defined cause.

Our decision to focus on helping young people make the most of their futures fits with our desire to create a sustainable future for the business. We continue to support a wide range of programmes to enhance young peoples' aspirations, motivation, quality of life and achievement levels.

All our corporate community investment is focused on young people – who will be working in the buildings we are constructing, using the roads and bridges we are designing and attending schools we are building. Our community investment programme has three pillars:

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The London Youth Games

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The Balfour Beatty Charitable Trust, Building Better Futures

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A range of other initiatives in support of our regional and local operations.

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In 2010, the Group donated over £2.8m to charitable causes around the world.

## Balfour Beatty London Youth Games

Our £1.8m funding commitment to the Balfour Beatty London Youth Games until 2013 is enabling the Games to go from strength to strength. This annual event offers young people the opportunity to compete in 30 sports in 60 competitions throughout the capital. The Games' goal is to inspire all young Londoners to discover and achieve their sporting potential by providing high-quality sports events. The Games promote social inclusion, help young people achieve their development needs and provide an outlet for all young Londoners to become and remain involved in all areas of sports. The 2010 Games involved a record 50,000 participants from all 33 London boroughs, two years ahead of its target date; 49% of the participants were female and 4,087 disabled athletes took part.

The 2010 Hall of Fame event, recognising the international achievements of former Games competitors, honoured Rio Ferdinand, Mo Farah, Bradley Wiggins, David Weir, Amanda Newton and Tasha Danvers.

The employee volunteering scheme which offers London-based employees the opportunity to volunteer at various London Youth Games events and sports clubs across the London boroughs continued to be a great success. Over 100 employees from a number of businesses took time off from their day-to-day work to help improve youth sport in London.

## Balfour Beatty Charitable Trust – Building Better Futures

### 2010 Key facts:

£206,524 company contribution

£152,458 raised through employees

£1 for £1 matched funding

£511,440 total.

Building Better Futures is the name for the Balfour Beatty Charitable Trust, set up in 2009, the Group's centenary year. Its goal is to help improve the motivation, aspirations, quality of life and achievement levels of young people – particularly those suffering from disadvantage.

During 2010, we continued to build on our successful relationships with our long-term charity partners, The Prince's Trust and Action for Children. With The Prince's Trust, we support the Community Cash Award programme. This builds the motivation and self-worth of young people in deprived communities by granting them funds to put their own good ideas into action to improve their community. By the end of 2010, we had supported 137 projects. We also fund the Trust's Development Grant schemes, which help individuals overcome barriers preventing them entering the job market, and continue to be a lead supporter of its major Get into Construction programme.

We are funding disability learning equipment at Action for Children's centres throughout the UK. These provide special play areas and facilities for mentally and physically disabled children, who are often denied the important developmental opportunities provided by interactive play, to help them develop and learn. We also raise funds for Action for Children's Young Carers Fund, which provides respite activities for young people who have major care responsibilities for family members.

In 2010, we were pleased to welcome Coram as a new charity partner. Coram works with vulnerable children, young people and their families and provides adoption, parenting advice, supported housing and family support and education. In 2010 we helped to fund its adoption programme for hard-to-place children.

A huge variety of fundraising activities, involving employees across the UK, contributed money to these programmes, allowing us to provide some over £500,000 overall for our charity partners.

### Supporting local initiatives

The Heery International Foundation was launched in Spring 2009, funded primarily by our Heery International business in the US and donations from its employees, supplemented by a grant from the Balfour Beatty Charitable Trust. This provides the business with an additional community outreach opportunity, supplementing its very successful community service month, Heery from the Heart.

### Get into Construction

In 2010, we continued our support for Get into Construction, a scheme that we co-founded with The Prince's Trust Construction and Building Services Leadership Group in 2006. This seeks to encourage disadvantaged young people to consider construction as a career. To date, 1,000 people have been supported through 82 courses leading to employment and further training opportunities in the industry. The two to four-week courses are designed to introduce young people to the industry by training them in various skills including carpentry, joinery, plastering, brickwork, painting and decorating.

In addition to the centrally managed relationships, the Group's subsidiaries and operating companies are actively involved in community and charity work selected as being relevant to their own activities. In some instances, the Group provides funding, and often support, to these local initiatives. For example, we fund local schemes in Stoke and Burnley in the UK and in Atlanta and Philadelphia in the US. In Stoke, a Football Action scheme aims to reduce anti-social behaviour and offers an outlet for at-risk pupils. In Burnley, Balfour Beatty staff provide mentoring to students and support their development in a variety of ways. In Philadelphia, we fund a maths programme for the children of recently rehoused homeless families to ensure their basic education doesn't get left behind. In Atlanta, the CHRIS Kids organisation is supported by Heery's Charitable Fund – see [www.chriskids.org](http://www.chriskids.org)

Additionally, in the US, we donated to a variety of causes, including the United Way, Foundation Fighting Blindness, Save the Children's Haiti Emergency Relief, Make a Wish and the Children's Medical Center. Our businesses globally contributed to a number of causes, including Save the Children and Reach Italia Onlus, providing aid for children in developing countries.

## Political donations

No donations were made during the year by the Company and its UK subsidiaries to political organisations in the European Union. In the US and Canada, donations totalling £278,000 (\$434,000) were made by operating companies during 2010. Most of these donations were made by Parsons Brinckerhoff Inc, and these donations were small and all permitted by law. In the main, they relate to support given for local campaigns, public bond financing or similar referenda to promote investment in infrastructure. Any political contributions or donations are tightly controlled and must be approved in advance in accordance with the Company's internal procedures and must also strictly adhere to the Company's policies on probity set out in its Code of Conduct.

## Our plans for 2011

During 2011, we aim to consolidate our successful philosophy and structure across our activities to achieve a greater level of coherence. By continuing to focus on our three pillars we aim to maximise the impact of our community involvement across the Group.

We also plan to introduce a measurement tool to assess the impact of our community investment, increase the clarity and focus of our investments and ensure there is a tangible and beneficial impact in what we do.

Finally, with a structured programme in place in the UK and activities in the US, we will look to increase our investment and community involvement from a corporate level across other parts of the world, including the United Arab Emirates, Australia and Hong Kong.

## Our stories

### Takeover Day at Tameside Hospital, UK

Takeover Day is a national event offering children and young people across the country the chance to work alongside adults and get involved in decision-making in a wide range of organisations.

Balfour Beatty WorkPlace (BBW) welcomed 30 students from a local school to its Tameside Hospital workshops, where the whole BBW team got involved in helping and encouraging the children to work in small teams to build bird boxes.

Thirty bird boxes made that day were hung in various locations around the hospital. Hospital and Balfour Beatty WorkPlace staff are hoping to be involved in a similar project this year to help improve and raise awareness of the ecology on and around the hospital site.

### Ronald McDonald House Charities of Greater Washington, US

Helping to keep families with sick children together, Balfour Beatty Construction employees raised funds and donated services to build a new Ronald McDonald House.

### Clean up UAE Day, UAE

Twenty BK Gulf employees in Nad Al Sheba, Dubai, took part in the ninth Clean Up UAE Campaign in December 2010, collecting litter and waste in the area. Organised by the Emirates Environmental Group, the event aimed to build awareness of waste management, reduction and recycling across communities in the UAE and instil a sense of collective responsibility for the environment.

### Sharefest Annual Workday, Los Angeles County, US

In a single day, Barnhart Balfour Beatty employees helped transform five local schools by raising funds, planting trees, improving playgrounds and repairing facilities.

**Community Cash Awards – Drugs are for losers, UK**

After the death of one of their close friends from a drugs-related incident, a group of young people felt as if their whole world had changed: this was something you hear about on the news, it wasn't something that they thought should be happening to them.

They decided that this incident should not go unchallenged and must certainly not happen to any other young person. So they set out to tell their story by interviewing local youngsters about their attitudes to drugs and alcohol, getting opinions from respected people in the community and making a hard hitting film with a deeply emotional personal message.

All the young people in the group have known one another for years and attend the Bolton Unemployed Advice Centre. They are very much in need of the boost that the creation of this film will give them. Supported by a Prince's Trust Community Cash Award, the film will not only help them grieve for their lost friend; it will boost their confidence and give young people in their community something positive to look up to.

"You really are creating an inspiring movement – it makes The Trust so proud to be part of this!"

**Tamarin Ward**

The Prince's Trust

"You should be incredibly proud of what has been achieved so far – I cannot wait to tell the young carers projects that we have more money..."

**Jessica Abrahams**

Action for Children

"Your support has already given the most important gift to children in care: a loving permanent family and a safe place to grow up. Your help is making a huge difference to the UK's most vulnerable children."

**Fran Coyle**

Coram

**Staff volunteering in work time, UK**

Balfour Beatty Construction Scottish & Southern is actively encouraging its employees to show their support for various worthy causes by introducing an employee volunteering programme. This allows all its employees to take two days' paid leave to volunteer for a charity of their choice.

**Rebuilding Miami, US**

To help provide a safe and habitable residence, Balfour Beatty joined forces with local subcontractors to restore a Miami family's home.

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# ENVIRONMENTAL LIMITS

We see clear business advantage in taking a leadership position on environmental issues, recognising the opportunities in helping customers reduce their own impacts and respond to environmental pressures.

Improving our own performance in areas such as carbon and waste reduction will reduce our costs. As customers increasingly consider environmental performance – from carbon footprints to ecology – in their purchasing decisions, a leadership position will give us competitive advantage.

Environmental factors are also creating new markets for us, from alternative energy generation and transmission to protecting assets from climate change.

## Take the green train...

## Italy

In our sustainability vision we have said we will use our expertise to provide infrastructure that benefits the wider community and the environment. But what does that mean in practice? Here are just three ways we have made a difference on recent rail projects in Italy...

### What we did

High-voltage electrical equipment has traditionally used sulphur hexafluoride (SF<sub>6</sub>) as an insulator. But SF<sub>6</sub> is a greenhouse gas that's almost 24,000 times more damaging than CO<sub>2</sub>. And over the lifecycle of equipment, it leaks into the atmosphere. For the new high-speed Bologna-Florence line, we put forward an alternative air-filled design that met environmental goals without breaking the budget. It was a first in Italy, and has now been adopted on other high-speed lines.

The environmental impact of a railway line can extend far beyond the track – for example, along the transmission lines that bring power to the track. On the high-speed Turin-Novara project we came up with redesigned pylons that were less conspicuous and used less material. We routed the lines carefully to minimise intrusion on feeding and breeding habitats for birds and consulted with local communities to avoid impacts on planned housing developments. And, we changed operating practices to cut electromagnetic fields.

Trams are an increasingly popular solution to urban mass transit – but can be less popular if rail wear leads to noise pollution. We recently tackled this problem in Milan by introducing technology we've already used successfully in the UK and Germany.

### The impact

The SF<sub>6</sub>-free switchgear prevented potential greenhouse gas emissions equivalent to 450 tonnes of CO<sub>2</sub> – effectively offsetting a year's emissions from our rail business's entire operating plant and vehicle fleet

Our redesigned transmission lines reduced visual impact, electromagnetic fields and impact on birdlife. The low-profile pylons also used less steel and concrete to build and were anchored with two piles instead of four

Our track lubrication technology cuts rail wear, maintenance costs and noise pollution. And because it uses biodegradable oil, it also avoids the risk of ground contamination.

"Our engineering teams successfully eliminated the use of SF<sub>6</sub> – the most powerful of all the greenhouse gases."

**Giuseppe Ghilardi**, Head of Engineering, Balfour Beatty Rail Italy

# ENERGY AND CARBON

The growing low-carbon economy presents us with a new multi-billion pound market opportunity. We are using our expertise to help our customers achieve their carbon reduction goals in addition to reducing our own emissions.

## Why this matters to us

Energy use and carbon emissions are high on the agenda of governments, regulators and a growing number of our customers, as the world looks for ways to address climate change and diminishing fossil fuel supplies. The built environment is responsible for nearly half of global emissions of greenhouse gases. We want to play a leading role in the transition to a low-carbon economy.

Carbon legislation and policy frameworks such as zero carbon buildings standards will further drive demand for low-carbon infrastructure. Reducing carbon emissions reduces energy costs as well as reducing our environmental impacts.

## Our approach

Our approach is focused on three areas:

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Providing the infrastructure for clean energy and exploiting growth opportunities in these new markets

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Measuring, understanding and reducing our own greenhouse gas emissions

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Providing our customers with low-carbon infrastructure solutions.

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## Measurement

We measure and report our emissions of greenhouse gases in line with the 2010 guidance produced by DEFRA/DECC and the internationally recognised GHG Protocol:

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Direct emissions (termed Scope 1) from our buildings and vehicles

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Indirect emissions from electricity use (Scope 2)

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Limited indirect emissions (Scope 3) from employee business travel using non-company owned vehicles as well as flights.

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New 2010 conversion factors for electricity by country and other fuels have been re-applied to our 2008/09 data.

**Practical carbon management**

We continue to seek ways of reducing our CO<sub>2</sub> emissions from our own buildings, project sites and transport fleets.

Description	Example
Use of more energy-efficient site accommodation cabins	We are developing the next generation low-carbon site accommodation cabins
Sourcing and using more energy-efficient construction equipment and plant	Our new Ecolite lighting towers consume 80% less fuel than conventional units
Delivering energy-efficiency upgrades for new buildings	Our new LEED silver-certified headquarters in Charlotte, North Carolina, US, has been retrofitted with lighting occupancy sensors and new skylights to maximise natural light
Developing and implementing green travel plans (car sharing, cycling)	Parsons Brinckerhoff's New York office runs a 'Bring a Cycle to Work' week
Training and use of in-vehicle systems to monitor and influence driver behaviours and fuel consumption	Driver safety courses run by our Plant and Fleet business are available to all our UK operating companies
Implementing simple low/no cost energy-efficiency measures in our existing buildings	Balfour Beatty Engineering Services' factory at Kintore, Scotland, saved 31 tonnes of CO <sub>2</sub> emissions a year by installing timers, more efficient lights and other controls, with a payback period of just four months
Innovation	Balfour Beatty Ground Engineering installed geothermal piles to heat its Balmore office and pre-cast piling factory in Scotland
Raising staff awareness of energy saving at home and in the workplace	During Balfour Beatty WorkPlace's Carbon Sinners campaign in the UK, balloons were attached to those PCs left switched on after work; those that were switched off earned a chocolate
Carbon offsetting	Parsons Brinckerhoff Australia is our first business to become carbon neutral by voluntarily purchasing offsets for its emissions through an accredited hydroelectricity project in Yunnan, China

**Scope 3 carbon – embodied energy in materials**

Our roadmap commits our operating companies to understand their Scope 3 impacts (2012 Expectations) and to identify the most significant Scope 3 emissions for targeted reductions (2012 Excellence).

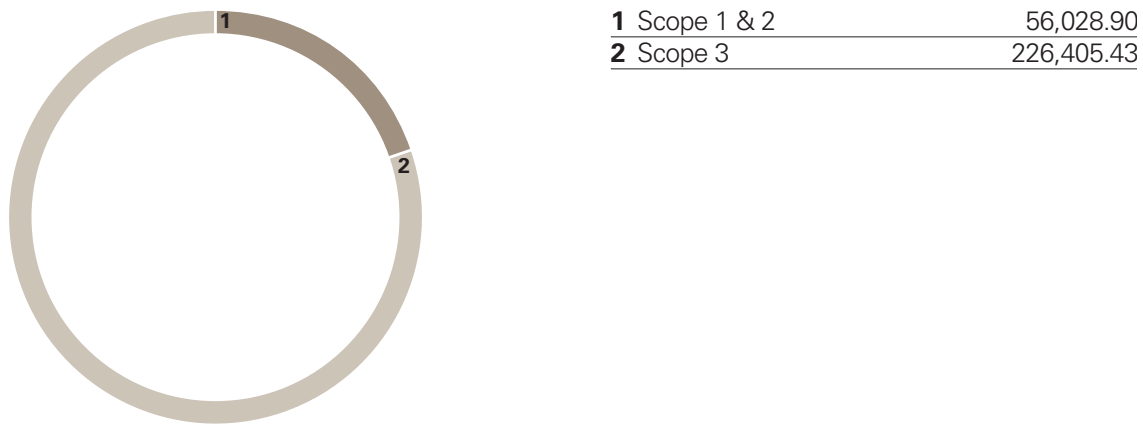
We know that our carbon footprint from our Scope and 1 and 2 emissions is comparatively small when set against the lifecycle carbon impact of buildings and other infrastructure – including the energy embodied in the materials used to construct them (termed Scope 3).



**Major highways schemes, UK**

During 2010, 20% of the carbon footprint associated with our major civil engineering business in the UK was related to our own Scope 1 and 2 energy use (electricity and fuel etc) and the remaining 80% was Scope 3.

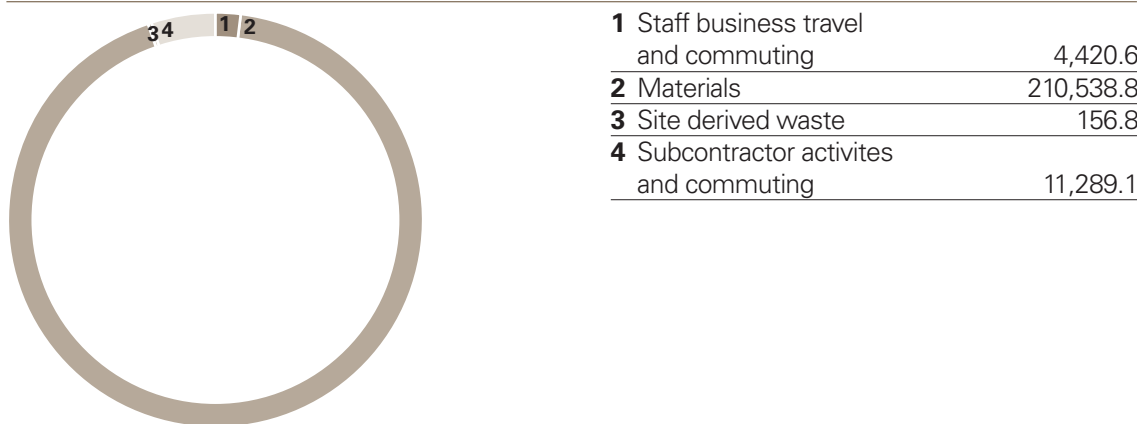
**Balfour Beatty major civil engineering CO<sub>2</sub> emissions (282,433 tonnes in 2010)**



We use the Highways Agency carbon calculator (developed by Parsons Brinckerhoff) to measure our footprint (excluding emissions associated with the use of the highway). The tool covers our site energy use, commuting to the site by our employees and subcontractors, the energy embodied in materials, energy associated with waste disposal and the activities of our sub-contractors including material deliveries to site.

In using the calculator in our major highways schemes in the UK, we have learnt that travel, material deliveries and waste are responsible for a relatively small proportion of the Scope 3 total. The embodied energy in materials (210,538 tonnes) accounts for 92% of the Scope 3 emissions and 75% of the total Scope 1–3 footprint.

**UK major highways schemes scope 3 emissions (226,405 tonnes)**

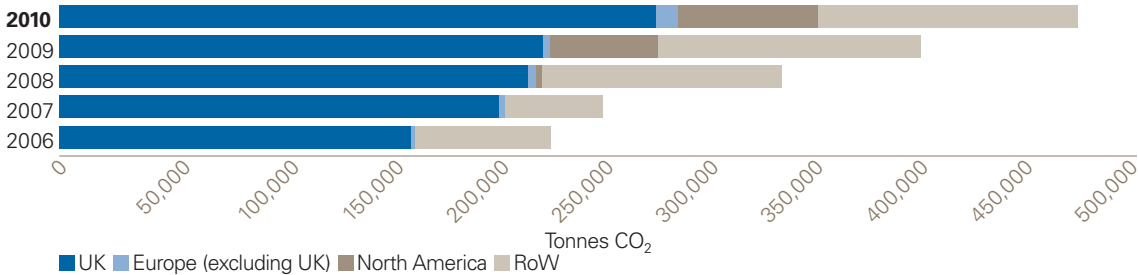


Design changes and material substitution offer the most effective ways to cut these emissions – for example, by selecting less carbon-intensive materials such as recycled aggregates and by-products from other industries such as car tyres and pulverised fuel ash from power stations. Read more in last year’s report on the A421 scheme and on the M25 and A3 schemes in this year’s report.

### Our carbon footprint

During 2010, we established our global baseline for our carbon emissions for the first time, covering our Scope 1 and 2 emissions. Our carbon emissions from vehicles, plant and buildings were 472,200 tonnes CO<sub>2</sub>e in absolute terms in 2010 (2009: 399,700 tonnes restated). This increase is a combination of growing fuel use for operational plant reported by our UK major civil engineering business and some estimation by our UK regional civil engineering business.

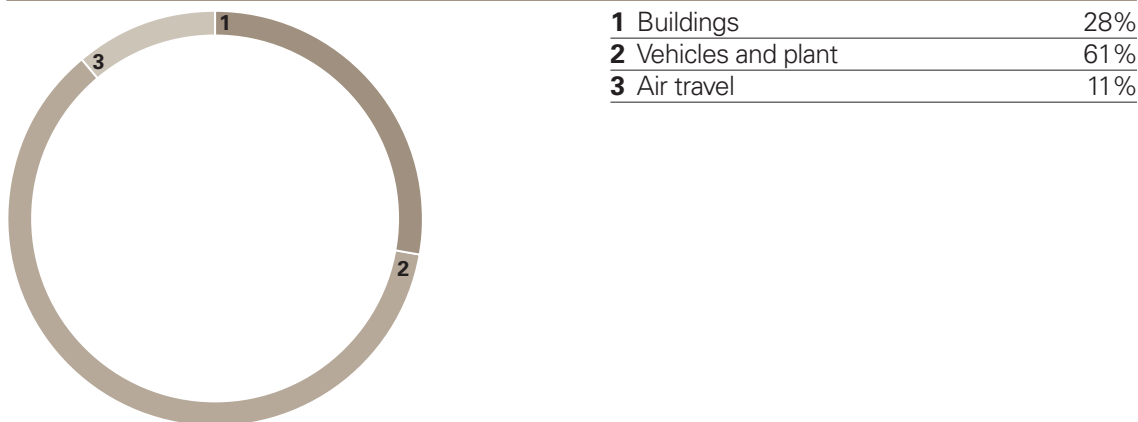
#### Global absolute tonnes equivalent CO<sub>2</sub> (excluding air travel data)



A further 58,644 tonnes of CO<sub>2</sub>e is attributable to employee business travel (air, train and road), although these data are only reported by two-thirds of our operating companies.

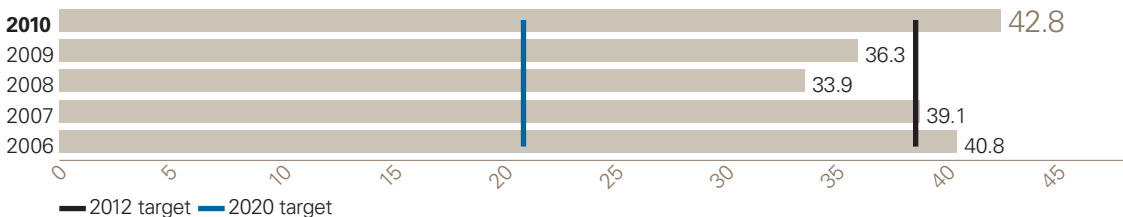
Our own carbon footprint is dominated by emissions from mobile plant and the company vehicle fleet.

#### Global total tonnes CO<sub>2</sub> by source in 2010 (tCO<sub>2</sub>e)



In 2010, our carbon emissions relative to revenue from our vehicles, plant and buildings were 42.8 tonnes CO<sub>2</sub>e/£m revenue, a 5% increase from the 2006 figure (40.8 tonnes/£m).

#### Global equivalent CO<sub>2</sub> per £m revenue (excluding air travel data)



Now that our global baseline has been established, our target is a 10% reduction against the 2010 baseline by 2012 and 50% by 2020.

## Carbon disclosure project

We continue to publicly report our global emissions to the Carbon Disclosure Project (CDP). 2,500 organisations responded to the CDP in 2010 and the results are made available to over 500 institutional investors.

Through the CDP we were among the 1,100 suppliers that also shared their data with customers – in our case, the UK's Department of Transport, National Grid and the Bank of America to help them understand the carbon impacts of their supply chains. We scored 60% in 2010, compared to a survey average of 48% (2009: 57%). Our performance was mid-range against our engineering and construction sector peers with a spread from 44%–85%.

## Carbon reduction commitment

Following the UK's Comprehensive Spending Review in October 2010, the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme rules were changed, cancelling the recycling element in favour of a straightforward tax on energy use.

Our CRC implementation team registered Balfour Beatty for the scheme in September 2010 [www.environment-agency.gov.uk/business/topics/pollution/117652.aspx](http://www.environment-agency.gov.uk/business/topics/pollution/117652.aspx) and will continue preparations during 2011.

## Our plans for 2011

We will continue to work on delivering our interim goal of a 10% reduction in our greenhouse gas emissions by the end of 2012 on our path towards a 50% reduction by 2020 against a 2010 baseline.

We will develop a carbon calculator for our buildings. This tool will help extend our understanding of Scope 3 carbon impacts beyond our civil engineering and highways schemes.

## Our stories – providing low-carbon solutions for our customers

### Low-carbon refurbishment, UK

We completed the first phase of our low-carbon refurbishment demonstrator project at Westborough School in Essex, UK. We are monitoring the building's actual performance during 2011 to assess the effectiveness of the measures we have installed to see just how close we can get to zero carbon building. Read more: [www.towardsustainableschools.org](http://www.towardsustainableschools.org)

### Solar upgrade for Snohomish School, US

We have installed 100 state-of-the-art solar panels at the Machias Elementary School in Snohomish, Washington State, US. The panels should deliver about 20% of the school's energy needs and pay back the investment in around 10 years. – "They are quick to install and produce power any time there is daylight." Kurt Trester, Heery Project Manager.

### Helping US military families cut their energy use

During 2010, we completed a pilot project involving 20 military families on Travis Air Force Base in California, who followed our programme entitled 'INgenUity: the power to change is in you'. These families achieved energy savings of 18%. We provided families with personalised coaching and rewards, together with in-home energy monitors to identify where energy was being used. [www.bbcgrp.com/PressReleases/pressreleases/BB\\_Energy\\_TravisAFB%20Results\\_10%2027%2010.pdf](http://www.bbcgrp.com/PressReleases/pressreleases/BB_Energy_TravisAFB%20Results_10%2027%2010.pdf)

### Reducing infrastructure impacts, Australia

Our work on the Tullmarine-Calder Interchange in Melbourne, Australia was delivered with reduced impacts both during and after construction. Two hundred solar panels were incorporated into acoustic screening to provide about 10% of its operational power needs. We used over 4m litres of captured stormwater for dust suppression during the build and recycled 97% of construction waste.

## Stakeholder views

“The US military has a goal to reduce its energy consumption by 20%. Balfour Beatty is supporting Live Army Green, the US Army initiative to help achieve this goal.”

**Jeff Bailey**

Staff Sergeant, US Army

## Awards

The UK's Building Research Establishment issues 16 awards each year, of which we were proud to win two. Mansell's project at Salisbury Law Courts won the BREEAM Award for Courts and its Redscan Close social housing project in Sanderstead Road, Croydon also received the BREEAM EcoHomes award. [www.bre.co.uk/newsdetails.jsp?id=626](http://www.bre.co.uk/newsdetails.jsp?id=626)

Heery's sustainability efforts won recognition in the Build category of the Los Angeles-based Green Dot Awards. These honour excellence in innovative environmental projects, products and services. Heery was chosen from more than 500 entries originating from 25 countries. Heery President Bill Heitz says: “Our goal, regardless of whether an owner chooses to achieve formal green/LEED certification for their building, is to help educate and guide them toward the most sustainable facility their budget allows.”

Gammon Construction work on the ITE College West development was recognised in the Singapore Environmental Achievement Awards 2010. The payback on the S\$18.7m invested in water and energy saving features will be 11 years. Gammon is the first contractor in Singapore to have its site offices certified with the Eco-Office label, and it recently introduced an innovative internal carbon trading scheme that allows employees to offset their own carbon footprints.

Parsons Brinckerhoff received the Queensland Signatory of the Year Award for the most energy efficient tenancy over 2,000m<sup>2</sup> in the national CitySwitch Green Office programme. [www.cityswitch.net.au](http://www.cityswitch.net.au)

Balfour Beatty Construction UK was included in the UK Sunday Times newspaper 2010 Best Green Companies list.

# WASTE

Having established a global baseline for our waste in 2010, we are now working on halving the total to landfill by 2012 and ultimately diverting all our project waste from landfill by 2020. The waste infrastructure market represents a multi-billion pound opportunity for us.

## Why this matters to us

Waste is a significant issue for us. Constructing, refurbishing and demolishing all forms of infrastructure generates large quantities of waste. The UK's strategy for sustainable construction aims to halve the amount of construction and demolition waste going to landfill by 2012.

Waste disposal is a significant and rising cost, driven by national policies such as the UK's landfill tax. Reducing waste can differentiate us in the marketplace, helping us to deliver lower cost projects and meet customers' desire for lower environmental impacts.

Increasing waste regulation is creating a significant new commercial opportunity for us. In the UK, 30–40 municipal energy from waste plants are needed within the next five years – at upwards of £200m each. This represents a market worth over £8bn by 2015 in the UK alone.

## Our approach

We measure and report our waste in two categories:

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Disposed to landfill, and

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Diverted from landfill through a combination of re-use, recycling and recovery including energy recovery.

Within both categories, we further breakdown the waste by its source:

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Construction

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Demolition

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Excavation

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Office

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Manufacturing and depots.

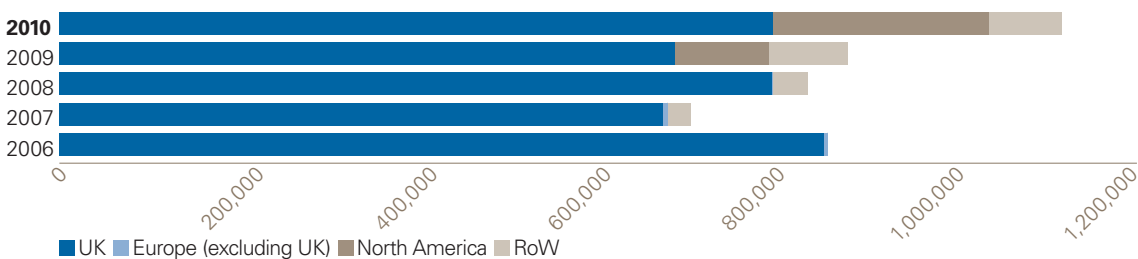
Our operating companies continue to seek opportunities to reduce, re-use, recycle and recover waste and to use recycled materials where possible. Read more about our approach in using waste materials in construction.

We have signed-up to WRAP's halving waste to landfill commitment at both Group and individual operating company level [www.wrap.org.uk](http://www.wrap.org.uk)

## Our impact

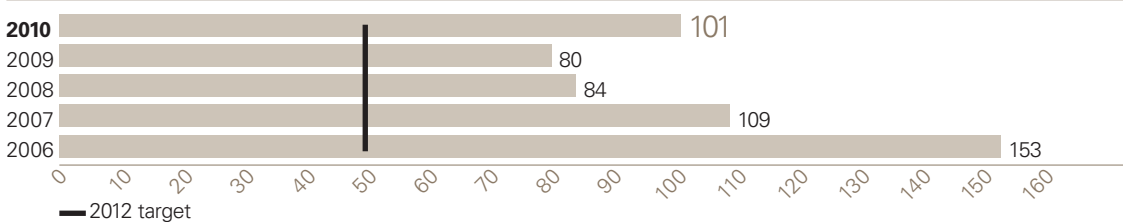
During 2010, we established our global baseline on waste to landfill for the first time. We disposed of 1,116,000 tonnes of waste by this route in 2010 (2009: 878,400 tonnes restated). We include all waste types (hazardous, non-hazardous and inert) in these data according to protocols defined by WRAP. Whilst a number of businesses made reductions in their disposal to landfill, these reductions were off-set by significant waste arisings by the growth of our US construction business and our UK regional civil engineering business (the latter using estimates for some of its data).

### Total absolute weight global waste disposed to landfill (tonnes)



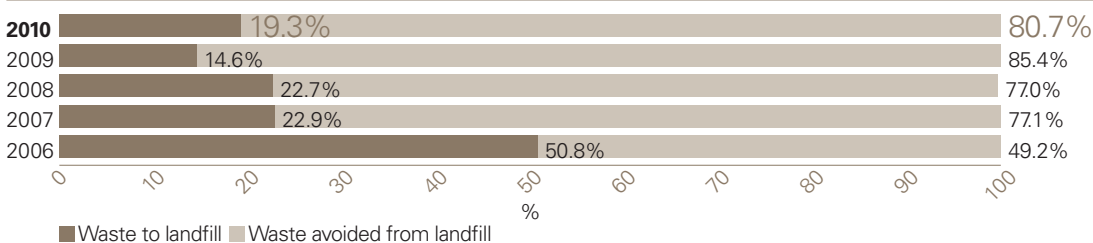
When normalised against revenue, our global operations disposed of 101 tonnes of waste to landfill/£m revenue in 2010 (2009: 80). We have achieved a 31% reduction in waste to landfill since 2006.

### Total relative weight global waste disposed to landfill (tonnes/£m NSV)



Our global operations recycled and recovered 4.68m tonnes of waste in 2010 (2009: 5.14m tonnes). Of the waste we generated in 2010, 81% was diverted from landfill through recycling, recovery (including energy recovery) or re-use (2009: 85%). By its very nature, our project waste is most suitable for recycling and only small proportions of waste are incinerated (with or without energy recovery).

### Global waste diverted from landfill v landfilled



**2010 Waste Data by Source and Disposal Route**

Waste Category/Source	Disposed to Landfill (Tonnes)	Diverted from landfill through re-use, recovery and recycling (Tonnes)
Demolition	128,612	546,122
Excavation	494,664	2,581,056
Construction	442,344	1,450,306
Office	4,406	4,016
Manufacturing/depot	45,969	97,934
<b>Total weight of waste disposed to landfill</b>	<b>1,115,995</b>	
<b>Total weight of waste diverted from landfill</b>		<b>4,679,435</b>

Demolition, excavation and construction waste are the most significant sources of waste across the group.

To drive re-use of waste we have also set a target of at least 25% of our major materials coming from recycled sources by 2012, where we specify the material. Major materials include concrete, aggregates, steel, aluminium and copper used in our construction, civil engineering and rail projects.

Region	Overall spend (£)	Spend on recycled content (£)	Percentage total recycled content of all materials excluding timber
UK	241,384,043	23,785,832	9.9
Europe	119,245,359	351,427	0.3
North America	0	0	0.0
ROW	344,396,247	0	0.0
Total	705,025,651	24,137,260.9	3.4

During 2010 we estimate that worldwide 3.4% of major materials came from recycled sources (see *page 99*). This figure rises to 10% for our UK operations.

This was the first time we collected this data and its coverage across the Group is incomplete. We expect this figure to increase as we improve the quality of our data, and seek opportunities to specify higher recycled contents in the major materials we specify.

## Benchmarking

Benchmarking of our performance is available through the data we submit as part of the UK construction sector's 'halving waste to landfill' reporting protocol ([www.wrap.org.uk/reportingportal](http://www.wrap.org.uk/reportingportal)). We believe that the best comparisons are with the UK Contractors Group (UKCG) member companies, representing the top 30 or so construction companies by size. Our performance for 2010 is comparable to the UKCG average with 83% of our waste diverted from landfill (UKCG average: 83%) and 13 tonnes of waste to landfill per £100,000 project spend (sector average: 12 tonnes/£100k).

However, when we compare our performance against individual UK contractors and businesses within the Group, there is clearly still scope for improvement. UK-based Wates reported 98% of its waste was diverted from landfill in 2010 which is comparable to our best performing UK businesses such as highways and major civils projects which achieved 98%–99% diversion rates in 2010.

## Our plans for 2011

Developing good quality data for tracking the recycled content of our major materials will be important in 2011.

We will continue to focus on our targets of halving the disposal of waste to landfill per £m revenue by 2012 against a 2010 baseline of 101 tonnes/£m revenue and achieving a minimum of 25% recycled content of major materials (by value), also by 2012.

Our ultimate goal is zero waste to landfill across all our operations by 2020 and embedding zero waste thinking into all that we do.

## Our stories

### Zero waste to landfill – a decade early, UK

We have achieved our first project successfully diverting all its waste from landfill – a decade earlier than specified in our 2020 vision and roadmap. During 2010, the A46 road scheme in the UK successfully diverted the last remaining fraction of waste from landfill to a new energy recovery solution in nearby cement kilns operated by CEMEX, which supplies the project with cement.

### Recycling excellence in North Carolina, US

When constructing the new Alfred Cunningham drawbridge over the Trent River in North Carolina, and on nearby developments, Balfour Beatty Infrastructure worked with its subcontractors to re-use 99% of the demolition waste from the old bridge.

### Creative thinking turns waste oil into warmth, UK

The servicing and repair of our piling rigs, cranes and associated equipment at our Bottesford facility in the UK generated 19,000 litres of waste oil in 2008 for disposal at our expense. We also bought diesel fuel to power generators to heat the workshop. This made plant manager Paul Leafe and workshop supervisor Andy Pickering think. By storing the waste oil on-site they could use it to power the generators. The new storage tank now saves £7,000 a year in fuel and waste disposal costs.

### Engaging our office-based employees on waste, UK

Waste is not just an issue for our projects. We all have a responsibility to reduce, re-use and recycle our waste in the office as well. Balfour Beatty WorkPlace established a sustainability champions scheme in 2009. One year on, these champions have worked hard to raise awareness of waste and the 12 offices that have taken part have diverted 100 tonnes of waste from landfill.



## Stakeholder views

“The site team on the A46 had already achieved great success with waste diversion from landfill through better planning, ordering, re-use of material and segregation for recycling. To find a solution for the final 1% fraction to landfill has been fantastic and demonstrates what can be achieved through teamwork and engaging our supply chain.”

**Tony Dixon**

A46 Project Director, Balfour Beatty Major Civil Engineering

“The zero waste example on the A46 demonstrates what can be achieved through true supply chain partnership. One man’s waste is another’s raw material.”

**Andy Spencer**

Sustainability Director CEMEX UK and stakeholder panel member

# MATERIALS

In 2010, 75% by value of the timber we procured directly came from recognised, responsible sources. We are working towards our 25% responsible sourcing target for our other major construction materials, with 19% being procured from recognised responsible sourcing schemes in the UK and Continental Europe in 2010.

## Why this matters to us

Worldwide, the construction industry consumes approximately 40% of the earth’s resources. As the world’s population continues to grow, so too will demand for natural resources and degradation of the environment. These demands could adversely affect the future availability and cost of natural materials.

Our customers increasingly expect their infrastructure to be built and maintained using materials with minimal environmental impact over the lifecycle, and to have been responsibly sourced. At a policy level, the UK has set a target of 25% of construction materials to come from responsible sourcing schemes by 2012.

Being a leader in the responsible sourcing of materials helps differentiate our business in the marketplace and delivers lower cost projects by selecting recycled and alternative products in preference to primary materials.

## Our approach

We continue to procure timber from recognised sustainable sources, verifying the chain of custody of such materials through the supply chain. This includes timber certified by the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forestry Certification (PEFC).

For the first time in 2010, we extended our data collection systems to track the sourcing of other major construction materials such as aggregates, concrete, steel and non-ferrous metals. Responsible sourcing schemes are now available for aggregates, pre-cast concrete and steel products in the UK and for steel and non-ferrous metals in Continental Europe. These include:

- \_\_\_\_\_ BES 6001: 2008 framework is the main standard in the UK for the responsible sourcing of construction materials
- \_\_\_\_\_ BS8902 responsible sourcing sector certification schemes for construction products
- \_\_\_\_\_ Steel Construction Sustainability Charter – Gold Standard
- \_\_\_\_\_ Eco-reinforcement (steel).

These schemes take into account legal requirements, employment, safety, labour rights, community and environmental impacts.

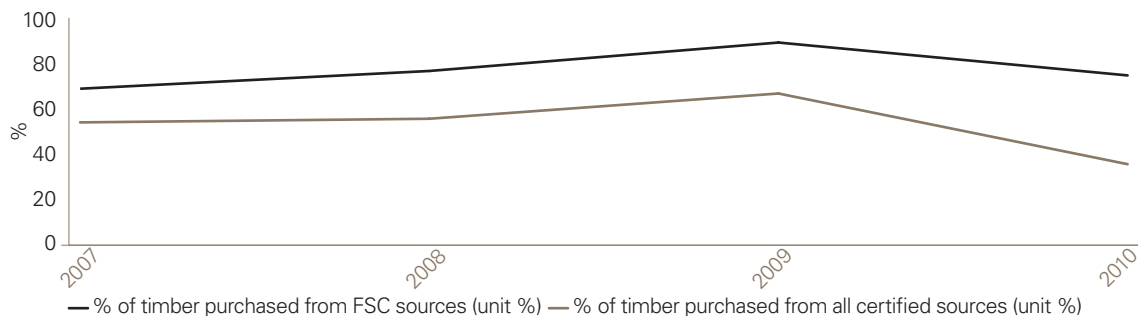
Engaging our supply chain to align their thinking with ours on the responsible sourcing of materials will be a key element in delivering a more sustainable Balfour Beatty. To stimulate demand for recycled materials, we need to specify and use our influence to procure materials with a high recycled content. We have good examples of this practice to draw from and use across all our projects.

## Our impact

### Timber

In 2010, 75% of timber spend by value from our operating companies came from a certified managed source (2007: 69%). Of that total, 36% was purchased from a purely FSC-certified source (2007: 54%).

### Global percentage timber spend



### Other major construction materials

We estimate that 19% of the major materials (excluding timber) that we directly procured in the UK and Continental Europe came from recognised, responsible sources. Such schemes are not readily available outside of these regions and the data provided does not yet represent full reporting by all our operating companies.

Region	Concrete (ready mixed and pre-cast) (£)	Steel (£)	Non-ferrous metals (£)	Aggregates (£)	Total spend on responsibly sourced materials (other than timber) (£)	Percentage spend on materials from responsible sourcing schemes (other than timber)
UK	26,677,527	11,463,456	138,292	26,797,802	65,077,078	27
Europe	–	1,767,739	95,750	–	1,863,489	2
<b>Total</b>	<b>26,677,527</b>	<b>13,231,195</b>	<b>234,042</b>	<b>26,797,802</b>	<b>66,940,566</b>	<b>19</b>

## Our plans for 2011

Responsible sourcing schemes will continue to be developed and to encompass a wider range of construction materials in the UK and possibly elsewhere.

We will improve the quality and scope of reporting of responsibly sourced materials data and recycled content as we move towards the 2012 expectations in our sustainability roadmap. Our 2012 targets include:

Procuring at least 25% (by value) of major materials from recognised, responsible sourcing schemes

Procuring 100% of timber/timber products from recognised, responsible sourcing schemes.

We will also further develop our understanding of the environmental impacts of the materials we procure on our projects so that we can select those with lower lifecycle impacts.

## Our stories

### The world's first recycled plastic railway bridges, US

Parsons Brinckerhoff has designed the world's first two railroad bridges made of recycled plastic. The bridges at Fort Eustis, Virginia, were made from recycled structural composite (RSC), a thermoplastic solution patented by Rutgers University in New Jersey and made from recycled domestic and industrial plastic. RSC material products are highly competitive at initial bidding stage – being less expensive to build than alternatives using steel, concrete or wood – and are substantially more so on a lifecycle cost basis due to their durability.

### Sharing our sustainable materials expertise on the M25, UK

In conjunction with our joint venture partner, Skanska, we are undertaking major widening works on over 60km of London's orbital motorway, the M25. Our materials specialists and engineers have played an important role in delivering sustainable materials solutions on works at junctions 16–23 and 17–30 during 2010.

One and a half million cubic metres (1.9m tonnes) of excavation spoil was diverted from landfill through careful management of embankments, slope profiling and construction of natural noise bunds rather than traditional acoustic fencing. Two and a half million tonnes of secondary and recycled aggregates were used on the project in preference to primary materials. Together with innovations in sheet piling, this saved 78,000 tonnes of embodied carbon.

### Recycling waste glass into new roads, UK

13,000 tonnes of recycled glass bottles and jars were used on our A3 Hindhead tunnel/road project in 2010. The glass sand was used as a replacement aggregate for road base, drainage media and roofing on service buildings. This recycled material was £200,000 cheaper than primary aggregate.

Our procurement team also identified a recycled polymer-based kerb drain solution to replace the traditional concrete units used on highways schemes. We bought 7,000 kerb units for the 3.6km tunnel, saving an additional £20,000 on material costs.

We also built Washington School in the UK with blockwork containing 46% recycled content.

### Sustainable sea defences UK

Balfour Beatty owns a 25% stake in the 25-year Pevensey Bay Public Private Partnership (PPP), to manage a 9km stretch of shingle beach between Eastbourne and Bexhill in East Sussex for the UK's Environment Agency.

We manage this flood defence scheme by constructing and maintaining coastal defences, while recycling and reprofiling the beach. We use the 'little and often' approach to replenish the naturally eroding shingle embankment by precision monitoring to identify where shingle is being lost. Crushed tyre bales and recycled plastic panels have been used alongside traditional hardwood planks to increase the durability of the sea defences.

### Bales of benefits, UK

We constructed a café for visitors to Manor Farm in Sutton using straw bales – costing half as much as a conventional building and finished in a fraction of the time. This is a first for the straw bale construction technique in London.

Straw is not only super-insulating; it also stores carbon. Every 10kg of straw absorbs nearly 14kg of CO<sub>2</sub>, helping to reduce the embodied energy of the building. The foundations of the café were built from pillars of used car tyres, further helping to reduce the building's environmental impacts and costs.

## Stakeholder views

“Using straw to construct your next project may not instantly spring to mind but the resource is locally available, renewable, structurally strong and super-insulating.”

**David Lines**

Mansell's Construction Director

“Balfour Beatty's team on the A3 project have taken a sustainable approach to materials – the use of recycled glass aggregate and recycled kerb drains being just two examples.”

**Paul Arnold**

Project Manager, Highways Agency

# CLIMATE CHANGE ADAPTATION

Demand for adaptation services and responses to protect critical infrastructure against the physical impacts of climate change is set to grow. We continue to develop our capabilities in this area to respond to climate change risks and opportunities.

## Why this matters to us

It is now widely acknowledged that even when significant reductions in carbon emissions are made, some climate change impacts are unavoidable due to the level of greenhouse gases already in the atmosphere.

The impacts of climate change present both risks and opportunities.

Increasing temperatures will affect material durability, increasing the corrosion of steel, increasing the carbonisation of concrete and accelerating the deterioration of timber. Higher rainfall and more intense storm events will lead to increased flooding of buildings, roads and other infrastructure assets.

With infrastructure design lifetimes of between 20 and 100 years, we need to start thinking about climate change today when designing and constructing for tomorrow to protect our customers' future asset values and reduce our own risks for the assets we own or have a substantial interest in.

Providing advice to customers on adaptation will be a growth area and help differentiate our service offering.

## Our approach – deploying our technical expertise

Parsons Brinckerhoff is a recognised leader in adaptation, advising a number of forward-thinking customers on climate change adaptation, most notably in the transport and utilities sectors.

We developed the UK Highways Agency adaptation strategy, which is now being used as an example around the world. The strategy has now been applied in practice to the Design, Build, Finance and Operate work we are undertaking on the M25 motorway around London.

Our adaptation support to UK local authority highways customers includes increasing drainage capacities in road run-off retention systems; assessing the resistance of materials, structures and signage to higher temperatures and wind speeds; assessing materials' resistance to higher temperature variations; and providing additional roadside verge maintenance regimes to cater for longer growing seasons.

In the US, Parsons Brinckerhoff is examining climate change impacts on specific segments of the transportation infrastructure around the Gulf of Mexico.

Parsons Brinckerhoff has also been engaged by the Australian government's Department of Climate Change and Energy Efficiency to undertake a high-level assessment of the risks and impact of climate change on Australia's significant infrastructure.

## Our plans for 2011

As our capabilities and track record develop, we will be able to influence more of our customers to adopt best-practice adaptation responses. We believe the market will increasingly move from assessment to implementation of responses.

We have developed Group-wide climate change adaptation objectives as part of our sustainability roadmap. By 2012, our operating companies will have:

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Considered climate change risks and opportunities and adaptation measures for all new projects

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Ensured that our own new assets are designed, built and operated to mitigate the risks from climate change.

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During 2011, with the help of Parsons Brinckerhoff, we will develop and deploy a toolkit for raising awareness and mainstreaming practical responses on climate change adaptation that our designers and engineers can use in their work.

# ECOLOGY

We understand that our people, customers and local communities care about the natural world. We will go beyond protecting ecological resources to enhancing the ecology of our projects.

## Why this matters to us

Infrastructure can have a significant impact on the natural environment and some of our operations work alongside sensitive ecological areas. Maintaining a rich diversity of species and habitats is increasingly important to our customers and the communities affected by our work.

Through our operations we have the opportunity not only to reduce our impacts on ecological resources but to enhance these resources through better design, development and management of our projects and across our own estate. We believe that delivering projects with a net ecological gain will help differentiate Balfour Beatty in the marketplace.

## Our approach – protection and enhancement

As ecological issues vary from location to location, each operating company must plan local measures for ecological protection and enhancement project by project. Some examples are provided below.

Ecological practice	Example
Identify periods of the year to avoid disturbance	We assigned a seven-strong environmental team to mitigate the environmental sensitivities of the 220km Beaulieu Denny 400kV overhead transmission line project in Scotland. These included 216 instances of breeding birds, which restricted the times of year when we could carry out the works.
Careful translocations of protected species	During the enabling works for the Tiger Woods project in Dubai, 72 trees were removed and handed over to the Municipality for replanting and all affected animal and bird species were safely relocated.  We carefully transplanted 20, 100-year-old oak trees at Florida Atlantic University Campus in Boca Raton, US.
Design and provide protection measures and create temporary or new habitats	Birse Civils created an artificial bat cave in a 90m section of culvert during the Chatterley Whitfield Heritage Country Park watercourse diversion scheme in the UK. We modified the underground structure, creating artificial roots, to provide a perfect bat habitat.
Undertake post-completion monitoring	Careful phasing of vegetation clearance, use of dormouse bridges and provision of 100 dormouse nests on the A3 Hindhead tunnel/road scheme in the UK has doubled the numbers of this protected species since monitoring began in 2007.

Our civil engineering schemes have traditionally provided good opportunities for ecological enhancement. We are now extending our best practice to smaller building projects too.



## Our plans for 2011

Our operating companies will continue to develop action plans that seek to protect the ecological resources and habitats identified in their projects and on their own sites/premises by 2012.

Our vision for 2020 is designing, constructing and maintaining our projects and own premises to enhance the ecology of the local environment, delivering a net ecological gain.

## Our stories

### Ecological enhancements deliver healthy communities, UK

Mansell is designing a new elderly persons' care home in Sevenoaks, Kent – using our 2020 vision and ecology targets to enhance the ecological value of the development by providing new habitats and native planting schemes to encourage wildlife.

“Delivering ecological enhancement is not just good for the environment. The health benefits of living in green spaces have long been recognised and elderly residents cherish simple everyday encounters with nature.”

#### Dr Julia Baker

Biodiversity and Environment Manager, Chris Britton Consultancy, part of Balfour Beatty Civil Engineering

## Stakeholder views

“Mitigation of the ecological impacts of constructing the UK's longest overhead transmission line is key to the delivery of the 220km Beaulieu Denny 400kV scheme.”

#### Jonathan Chapman

Head of Strategic Planning at Balfour Beatty's Utility Solutions

# WATER

We have seen water continue to grow in importance. Delivering sustainable water solutions for our customers makes business sense and we will take a lead in our sector by developing a water footprinting tool in 2011.

## Why this matters to us

Water is a precious resource. The OECD<sup>1</sup> forecasts that 47% of the world's population will be living in areas of water stress or scarcity by 2030.

Evidence is growing that water measurement and conservation is increasing in importance. The Carbon Disclosure Project ran a pilot water disclosure survey of the world's 500 largest companies in 2010 and our customers are beginning to request performance data for the first time.

Our own water use represents an operating cost as well as an environmental impact.

Saving water for our customers makes good business sense. We see growth opportunities from integrated service offerings in:

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Desalination technologies

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Urban water runoff collection

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Improving the efficiency of water distribution systems

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Building new and upgraded water treatment infrastructure

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Delivering innovative solutions for detecting and repairing water leaks.

For example, Parsons Brinckerhoff is playing a significant role in the design, construction management, commissioning and procurement of the Victorian Desalination Project in Australia, one of the world's largest reverse osmosis desalination plants.

## Our approach

Water use, while closely linked to climate change, needs to be addressed in a very different manner. Water needs to be managed at a local or river basin level rather than globally. We measure direct use of water from:

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Our own estate (offices, industrial sites such as factories and depots)

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Project sites (both mains and abstracted)

Our focus has been to reduce water usage in our premises (eg through self-closing taps, waterless urinals and staff awareness campaigns) and on construction sites (eg capturing rainwater for vehicle/plant cleaning, concrete batching and dust suppression). Our site accommodation cabins can also be supplied with rainwater harvesting systems.

We seek to provide new buildings with water saving technologies such as grey water recycling and use of rainwater harvesting techniques.

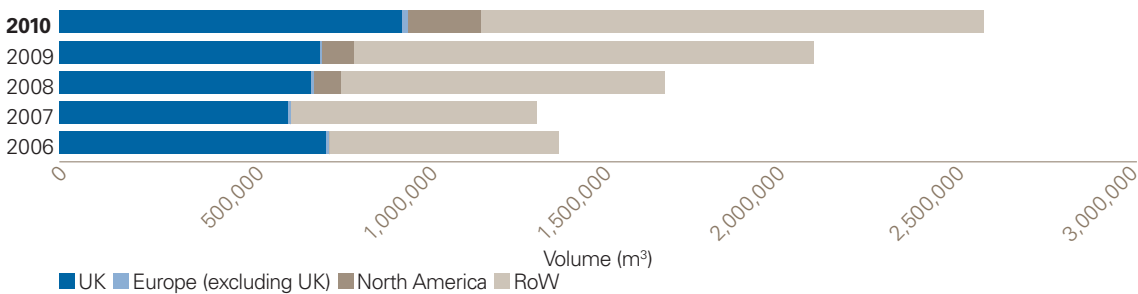
To help co-ordinate our worldwide capabilities in the water sector, we established an International Water Forum in 2010.

<sup>1</sup> <https://www.cdproject.net/en-US/Programmes/Pages/cdp-water-disclosure.aspx#reports>

## Our impact

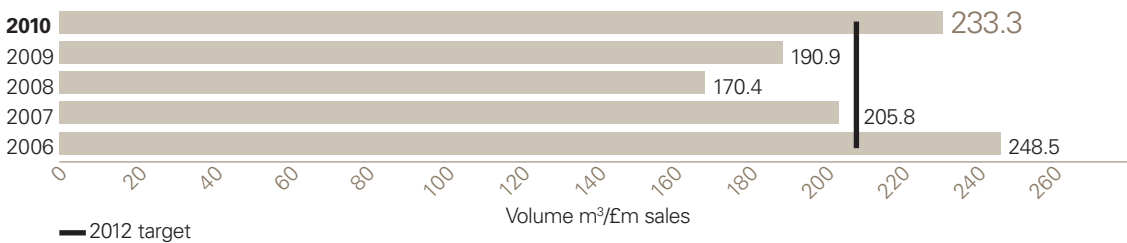
In 2010, we established our global baseline consumption of water for the first time at 2,573,000m<sup>3</sup> (2,101,000m<sup>3</sup> in 2009). A significant contributor to this increase was our work on the Aquatics Centre at the London Olympics to test the integrity of the swimming pools together with increases recorded by our US construction business, Gammon Construction in Hong Kong and our German rail business (reporting data for the first time).

### Global absolute water consumption 2006–2010



In 2010, our use of water, at 233.3 m<sup>3</sup> per £m revenue. Our target is to reduce this figure by 10% by 2012.

### Global relative water consumption 2006–2010 (m<sup>3</sup>/£m sales)



## Our plans for 2011

We will continue our efforts to reduce our direct use of water per £m revenue by 10% by 2012 against a 2010 baseline of 233.3 m<sup>3</sup>/£m revenue.

Business awareness of the issues, risks and opportunities surrounding water use is limited, and is perhaps comparable to business understanding of climate change five years ago. Our experience with carbon footprinting suggests we need to improve our understanding of water use in our supply chain.

The water embodied in the materials we use or consume in their manufacture is likely to be much larger than our direct consumption of water. In conjunction with Parsons Brinckerhoff we will develop a construction water footprinting tool during 2011 to help us determine where best reductions can be made. We believe this will be a sector first.

## Our stories

### Wastewater recycling plant frees up drinking water for drought-prone area, Australia

Protracted periods of drought prompted Western Downs Regional Council to build a wastewater recycling plant that produces water for industrial use in the town of Dalby in Queensland, Australia. Parsons Brinckerhoff provided design and project management services, which won a 2010 award for innovation from the Institute of Public Works Engineering Australia – Queensland. “The new recycling plant freed up a full one-sixth of the potable water supply for the Dalby residents,” explains Ian Cameron, Parsons Brinckerhoff’s Project Director.

### Recycled water wheel-wash system, Scotland

Minimising water use on construction sites is an important consideration. At our Beaully Denny 400kV overhead transmission line project in Scotland for Scottish and Southern Energy, fully contained vehicle wheel wash systems are deployed to recover the water for re-use.

## Stakeholder views

“We know that water usage and where it comes from will increasingly affect our business risks and opportunities. How we mitigate against any future risks depends very much on understanding our supply chain.”

### Ray Hill

Vice President, Global Procurement Strategy, National Grid

# ENVIRONMENTAL INCIDENTS AND ENFORCEMENT ACTION

We care about the natural world and, through the diligence of our site teams, avoided any significant polluting incidents occurring during the year.

## Why this matters to us

If not properly controlled, stormwater runoff from construction sites can contain sediment and other contaminants. Spillage and leakage of oil, fuel, road salt and other hazardous substances can affect the natural environment. Noise and dust can disturb communities.

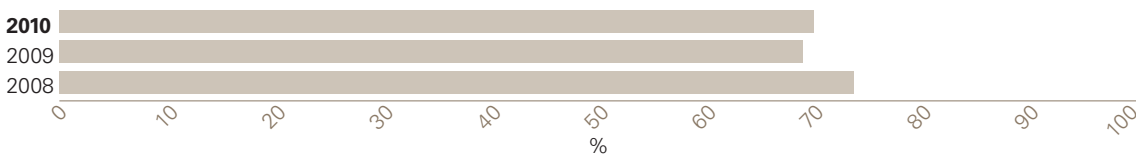
Such incidents impact the communities we serve. They can also damage our reputation and can adversely affect our ability to win new contracts.

## Our approach

We use a management systems approach to minimise these impacts and meet regulatory requirements.

85% of our operations have either established an environmental management system to ISO 14001 or are subject to third-party audits by ERM according to the Balfour Beatty Group Audit Protocol (BBGAP). Of this total, 70% refers to ISO 14001 (2009: 69%).

### Percentage global operating company revenue certified to ISO 14001



Controls include careful project planning, the use of mitigation measures, staff training and practising emergency response and training.

We encourage our businesses worldwide to systematically record, investigate and learn from environmental incidents. Incidents are categorised as either:

**Significant** (resulting in irreversible or major environmental impact such as a large fish kill following a spill)

**Moderate** (requiring management response and/or reportable to environmental regulators such as a discharge of silty water into a watercourse)

**Minor** (minimal or short-term local impact with natural recovery such as a small oil spill onto hardstanding).

## Incident reporting

During 2010, 338 environmental incidents were recorded across our global operations (2009: 370). Of these, none were classified as causing irreversible or major environmental impact. 14 moderate incidents were reported in 2010 (2009: nine). Of these, one was considered to have impacted the environment when approximately 60 litres of oil was discharged from a split hydraulic hose onto rail ballast. The subsequent clean-up operation was completed to the satisfaction of the regulator.

Spills, primarily minor quantities of hydraulic oil and fuel, remain the single largest contributor to environmental incidents recorded by our operating companies. They accounted for 64% of the 2010 total.

## Enforcement action

Five minor environmental incidents resulted in enforcement action and fines in 2010 (2009: 7) totalling £11,000 equivalent. All these minor incidents took place in Singapore for potential mosquito breeding sites, exceeding noise limits and site drainage. Corrective actions have been completed for each violation.

### Global environmental fines

	2010	2009	2008	2007	2006
UK	0	£8,000	£40,000	0	0
Continental Europe	0	0	0	0	0
North America	0	US\$5,000	US\$20,625	US\$480	0
Rest of World	\$23,300 (Sg)	\$10,000 (Sg)	\$1,000 (Sg)	0	0

# PERFORMANCE DATA

## Global Reporting Initiative (G3.1) Index

Balfour Beatty's 2010 Sustainability report has been self assessed at Level B+ against the GRI3.1 Reporting Framework. Contained in 2010 Annual Report and Accounts (ARA) are a number of the GRI criteria relating to strategy, economic reporting and governance.

GRI reference	Inclusion	Link	
<b>Vision and strategy</b>			
1.1 CEO's statement	●	CEO Statement	
1.2 Key impacts	●	Global Issues Our Approach	
<b>Organisation profile</b>			
2.1 Name of organisation	●	About Balfour Beatty	
2.2 Brands, products/services	●	About Balfour Beatty ARA	
2.3 Operational structure	●	About Balfour Beatty ARA	
2.4 Location of head office	●	ARA	
2.5 Countries of operation	●	About Balfour Beatty	
2.6 Nature of ownership	●	Report Scope	
2.7 Markets served	●	About Balfour Beatty	
2.8 Scale of organisation	●	About Balfour Beatty	
2.9 Significant changes in operation	●	Focusing on What Matters	
2.10 Awards received	●	Influencing For Sustainability Health and Safety Managing a Diverse Workforce Our Supply Chain Energy and Carbon	
<b>Report parameters</b>			
Profile	3.1 Reporting period	●	Report Scope
	3.2 Date of previous report	●	Report Scope
	3.3 Reporting cycle	●	Report Scope
	3.4 Contact point and feedback	●	Feedback
Scope & Boundary	3.5 Defining content	●	Materiality Leadership, Management, Governance
	3.6 Boundary of report	●	Report Scope
	3.7 Exclusions from scope	●	Report Scope
	3.8 Joint ventures & subsidiaries	●	Report Scope Managing a Diverse Workforce ARA

	GRI reference	Inclusion	Link
	3.9 Data measurement techniques	●	Report Scope Energy and Carbon Waste Materials Climate Change Adaptation Ecology Water Environmental Incidents and Enforcement action
	3.10 Restatements	●	Our Performance at a Glance Energy and Carbon
	3.11 Significant changes	●	Energy and Carbon
GRI Content Index	3.12 GRI Table	●	
Assurance	3.13 Assurance statement	●	The Assurance Process
Governance	4.1 Governance of SEE matters	●	Leadership, Management, Governance ARA
	4.2 Chair of highest governance body	●	Leadership, Management, Governance ARA
	4.3 Board structure	●	ARA
	4.4 Stakeholder engagement with highest governance body	●	Engaging with our Stakeholders ARA
	4.5 Remuneration linkages	●	ARA
	4.6 Conflict of interest	●	ARA
	4.7 Qualifications and expertise of highest governance body	◐	Leadership, Management, Governance ARA
	4.8 Code of Ethics	●	Ethics, Values and Compliance
	4.9 Risk assessment and management	●	Leadership, Management, Governance
	4.10 Process for evaluating the highest governance body's performance, including SEE performance	●	Leadership, Management, Governance ARA
External Initiatives	4.11 Precautionary principle	●	Leadership, Management, Governance
	4.12 External economic, environmental, social charters or other initiatives subscribed to	●	Global Issues
	4.13 Membership of Associations: Strategic	●	Engaging with our Stakeholders
Stakeholders	4.14 List of Stakeholders engaged	●	Introduction Our Sustainability Vision and Roadmap Engaging with our Stakeholders
	4.15 Defining stakeholders	●	Engaging with our Stakeholders



	GRI reference	Inclusion	Link
	4.16 Approaches to Stakeholder Engagement	●	Introduction Engaging with our Stakeholders
	4.17 Stakeholder key topics	●	Introduction Our Sustainability Vision and Roadmap Engaging with our Stakeholders
<b>Economic Performance Indicators</b>			
Economic performance	<b>EC1</b> Economic profile	●	ARA
	<b>EC2</b> Climate change risks and opportunities	●	Our Sustainability Vision and Roadmap Influencing for Sustainability Energy and Carbon Climate Change Adaptation
	<b>EC3</b> organisation's defined benefit plan obligations	●	Benefits and Incentives ARA
	<b>EC4</b> Significant Financial Assistance Received from Government	●	ARA
	<b>EC6, EC7</b>	○	
Indirect economic performance	<b>EC8</b> Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	●	Community Engagement
<b>Environmental Performance Indicators</b>			
Materials	<b>EN1</b> Materials used	◐	Materials
	<b>EN2</b> Use of recycled input materials	●	Materials
Energy	<b>EN3</b> Direct energy consumption	●	Energy and Carbon
	<b>EN4</b> Indirect energy consumption	◐	Energy and Carbon
	EN6 Energy-efficient services/ renewable energy	●	Energy and Carbon
	EN7 Initiatives to reduce indirect energy consumption	●	Energy and Carbon
Water	<b>EN8</b> Water usage	●	Water
	EN9 Water sources significantly affected by withdrawal	●	Water
Biodiversity	<b>EN11</b> Protected areas and areas of high biodiversity value outside protected areas	◐	Ecology
	<b>EN12</b> Description of significant impacts of activities, products, and services on biodiversity	◐	Ecology
	EN13 Habitats protected or restored	◐	Ecology
	EN14 Strategies, current actions, and future plans for managing impacts on biodiversity	●	Ecology

	<b>GRI reference</b>	<b>Inclusion</b>	<b>Link</b>
Emissions, Effluents and Waste	<b>EN16</b> Greenhouse gas emissions	●	Energy and Carbon
	<b>EN17</b> Other relevant indirect greenhouse gas emissions	◐	Energy and Carbon
	EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	●	Energy and Carbon
	<b>EN19</b> Emissions of ozone depleting substances	○	
	<b>EN22</b> Total weight of waste	●	Waste
	<b>EN23</b> Significant spills	●	Environmental Incidents and Enforcement Action
Compliance	<b>EN28</b> Environmental fines	●	Environmental Incidents and Enforcement Action
	<b>EN20</b> NOx, SOx, and other significant air emissions	○	
	<b>EN26</b> Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	Environmental Limits
	EN5, EN10, EN15, <b>EN21</b> , EN24, EN25, EN27, EN29, EN30	○	
<b>Labour practices and decent work</b>			
	<b>LA1</b> Workforce employment numbers	●	About Balfour Beatty
	<b>LA2</b> Total number & rate of employee turnover by age, group, gender and region	◐	Employee Engagement
	LA6 Worker representation on health and safety committees	◐	Health and safety
Occupational health & safety	<b>LA7</b> Occupational health & safety data	●	Health and safety
	<b>LA8</b> Occupational health and safety training	●	Health and safety
	<b>LA10</b> Overall training data	●	Talent and Training
Training and Education	LA11 Programmes for skills management and lifelong learning	●	Talent and Training
	LA12 Employee Performance & Career Development Reviews	●	Talent and Training
	<b>LA13</b> Diversity data	●	Managing a Diverse Workforce
Diversity	LA3, LA4, LA5, LA9, LA14	○	
<b>Human Rights Performance Indicators</b>			
	<b>HR4</b> Incidents of discrimination and actions taken	◐	Ethics, Values and Compliance
	<b>HR1, HR2, HR3, HR5, HR6, HR7, HR8, HR9, HR10, HR11</b>	○	

	GRI reference	Inclusion	Link
<b>Society performance indicators</b>			
	<b>SO1</b> Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities	●	Healthy Communities
	<b>SO2</b> Risks related to corruption and training programmes	◐	Ethics, Values and Compliance
	<b>SO3</b> Percentage of employees trained in organisation's anti-corruption policies and procedures	○	Ethics, Values and Compliance
	<b>SO4</b> Actions taken in response to incidents of corruption	●	Ethics, Values and Compliance
	<b>SO5</b> Public positions on key legislation	○	
	SO6 Political donations	●	Engaging with our Stakeholders
	SO7 Ant-competitive, ant-trust, monopoly	●	Ethics, Values and Compliance
	<b>SO8</b> Monetary value of significant fines and non-monetary sanctions for non-compliance with laws and regulations	●	Ethics, Values and Compliance Health and Safety Environmental Incidents and Enforcement Incidents
<b>Product responsibility performance indicators</b>			
Customer health & safety	<b>PR1</b> Life Cycle stages in which health and safety impacts of products and services	●	Health and Safety
	PR2 Total number of non-compliance with regulations and voluntary codes concerning health & safety impacts of products and services during their life cycle	●	Health and Safety
Marketing communications	<b>PR6</b> Programmes for adherence to laws, standards & voluntary codes related to marketing communications, including advertising, promotion & sponsorship	●	Ethics, Values and Compliance
	PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	●	Ethics, Values and Compliance
Compliance	<b>PR9</b> Monetary value of significant fines for non-compliance with laws and regulations	●	Ethics, Values and Compliance
	<b>PR3, PR4, PR5, PR8</b>	○	

BOLD = core indicator ● Reported ◐ Partially Reported ○ Not Reported

# INDEPENDENT ASSESSMENTS

Stakeholder panel	117
Independent audit	123

# STAKEHOLDER PANEL

For the third consecutive year, we asked an external stakeholder panel to review our reporting practices and provide an independent opinion of our performance and recommendations for where we could improve.

## Stakeholder opinion statement 2010

### Stakeholders in action

This panel's role is to offer an informed, impartial and balanced view on Balfour Beatty's sustainability approach and reporting, providing the Company with challenging recommendations for improvement where appropriate.

### Engaging and transparent

We commend Balfour Beatty's continued commitment to sustainability. We believe that the 2011 Sustainability Report, as with previous years, is an open, transparent, and accurate reflection of the Company's efforts in this area.

We note that the level of stakeholder engagement is excellent, and are pleased to see the responses to last year's panel recommendations being addressed, and would expect this practice to continue.

### Highlighting the key issues

We consider that Balfour Beatty's reporting of sustainability is comprehensive and covers the most significant issues for the Company.

We believe that readability could be further enhanced, particularly in the printed summary report, through clearer alignment of the report structure to the 2020 sustainability vision and roadmap. We acknowledge that this may mean that the summary report is reduced in scope, but believe that it will help the reader to better understand the priority issues for the Company.

### Embedding the 2020 vision

We have seen evidence of good progress being made on embedding sustainability within the Company, and of genuine engagement with customers, the supply chain and other stakeholders.

The continued roll out of the 2020 sustainability vision and roadmap, which we believe is amongst best in class, is progressing well, with action plans now completed by all operating companies (except Parsons Brinckerhoff, which is now underway). We commend the work to date, and as the Company approaches its 2012 mandatory targets we would like to see clear 2015 objectives and action plans being covered in the next annual sustainability report.

Whilst we accept the need for flexibility of approach across operating companies, we would like to encourage the continued drive for consistency in the formulation and application of action plans across the Group.

We would also like to see detail in next year's report on how Balfour Beatty is sharing sustainability best practice and lessons learned from its projects around the world, including the London 2012 Olympics. We believe that Balfour Beatty is in a very strong position to share this knowledge both internally and with suppliers and customers and would like to see what processes are in place to do this.

## The topics that matter

It is promising to see topics such as climate change adaptation and water moving up the Company's agenda and we would welcome further detailed reporting on these issues next year.

We would also welcome more detail within the sections on diversity and inclusion, communities and employee wellbeing in order to better understand the Company's key priorities, strategies and next steps in these specific areas.

We have noted improvements in the reporting of waste and carbon this year, with Group-wide global baselines being published for the first time. However, we would like to see more in-depth data (eg on scope 3 carbon emissions) and analysis (eg on performance against waste targets) next year. We would also like to see more information linking sustainable procurement initiatives, such as Project GRACE, to reductions in environmental impacts.

Health and safety is a key issue for every company. We would have liked to see Balfour Beatty going deeper in its reporting of the corrective actions being taken following the tragic fatalities that took place in 2010. We expect that, once all investigations have concluded, next year's report can cover in detail what behavioural and cultural change work is being undertaken by the Company to prevent fatalities and injuries to both the workforce and the public.

## Objectives and Remuneration

As in previous years, we continue to recommend that the Company discloses how executive remuneration is linked to sustainability objectives and urge the Remuneration Committee to review the Company's position in this area. We would also like to see greater disclosure of how sustainability objectives are integrated into the appraisal process throughout the Group, particularly for senior leaders.

## Sustainability in numbers

The 2011 report contains more data, targets and key performance indicators (KPIs) than previous reports; a trend we applaud. For example, the introduction of new KPIs linking sustainability to profitable markets, is particularly welcome.

However, one of our strongest recommendations for next year is that the Company sets out this information more clearly and continues to review and improve the reporting of data, targets, and KPIs.

Specifically, we would like to see more context and explanation of all targets and KPIs in the report, including how they were identified, clear definitions for each metric and detailed commentaries on trends in the data. We would also like to see a more explicit link between the targets/KPIs, and the 2020 sustainability vision and roadmap, in order to better understand why these particular metrics have been identified as being key.

We would also welcome information as to what progress is made over the course of the next year to enhance internal reporting processes in order to improve the consistency and robustness of the data.

Finally, we recommend that consideration be given to the reporting of certain metrics by region and by individual operating company where this may provide additional clarity to the reader.

## Balfour Beatty response to 2010 stakeholder panel statement

We thank the Panel for their continued insight, challenge and encouragement of our sustainability reporting. The Panel's feedback during the development of the report has been instrumental in shaping the final product.

We acknowledged the Panel's recommendation to fully align the summary report content with our 2020 vision and roadmap and will explore this further when developing next year's report, paying particular attention to how we report our data, targets and KPIs. Some data is already reported by region; this can be found in the performance data tables on our website. We will review what further enhancements can be made in regional data reporting.

Whilst we have made good progress on embedding sustainability across the Group, we know that continued effort is required in this area. This is central to our belief that sustainability is a collective responsibility. In recognition of this, we will be broadening our employee engagement programme in 2011 to include a new dedicated website, a sustainability film, employee awards and other communications media to supplement our on-going e-learning programme.

During the latter half of 2011, we will begin developing the 2015 milestones of the roadmap, taking into account progress across the Group with our 2012 commitments and our 2020 aspirations. We expect to complete this by mid- 2012 and will seek external feedback, from the Panel and others, before finalising our 2015 plans.

The need for more consistent sustainability action plans across the Group has been noted. One of the strengths of our business model is the autonomy given to our operating companies in how they deliver company-wide initiatives. With a new divisional structure now in place, we will revisit this over the coming year.

A key output of our 2011 sustainability review programme, in conjunction with KPMG, will be the identification and sharing of best practice across the Group. The sharing of best practice with our customers and supply chain aligns well with our influencing targets under the 2020 vision and roadmap. These reviews also provide us with the opportunity to identify improvements to our internal data collection processes.

We have noted the Panel's recommendations to provide further detail on diversity, communities, employee well-being, waste, carbon and follow-up actions arising from fatal accident investigations.

Non-financial measures have been considered by the Remuneration Committee. During a recent review of Executive level remuneration, which included a shareholder consultation, it was agreed to use financial measures only for executive incentive schemes. However, the senior management of the Company believes that non-financial performance (such as people, safety and sustainability) are appropriately covered through normal business management and individual performance management arrangements.

We look forward to continuing our engagement with the Panel next year, particularly as we develop our milestones for 2015.

Balfour Beatty, April 2011

## Our progress against the panel's 2009 recommendations

We gain real value from engaging our stakeholder panel. Progress against their recommendations in last year's opinion statement is summarised here.

2009 stakeholder panel recommendation	2010 response
Update on the roll-out of the 2020 vision and roadmap.	<b>Ongoing.</b> Launch presentations completed across the business, including newly-acquired Parsons Brinckerhoff. Action plans developed by all businesses, with the exception of Parsons Brinckerhoff.
Report on progress against the 2012 commitments.	<b>Completed.</b> Progress against the 2012 minimum expectations and excellence areas provided as at October 2010.
Report on progress against key non-financial performance indicators.	<b>Completed.</b>
Report progress on sustainable procurement and influencing.	<b>Completed.</b> Progress reported on Project GrACE and update provided on influencing.
Provide more detail on how the company will work with its supply chain to address its indirect (Scope 3) greenhouse gas emissions (2008 statement).	<b>Ongoing.</b> We continue to develop our understanding of our Scope 3 emissions and will work with our suppliers to reduce emissions. We are developing a buildings carbon calculator in 2011.
Provide further evidence of embedding sustainability from top to bottom.	<b>Ongoing.</b>
Link sustainability performance to senior management remuneration.	Our position remains <b>unchanged</b> (from 2008 panel). Remuneration for executive Directors is based on specific performance measures in annual and long-term incentives.
Feedback mechanism for tracking employee understanding and implementation of the roadmap.	<b>Ongoing.</b> Feedback encouraged through new social networking site and roll-out of e-learning course and sustainability questions in staff surveys during 2011.
Expand stakeholder panel membership to reflect global nature of the business and other relevant interest groups.	<b>Completed.</b> Panel expanded to include two US customers, a regulator and a third-sector organisation. (See over)



## 2010 stakeholder panel membership

We asked an expanded panel of key stakeholders to give us an independent opinion of our 2010 sustainability report and our approach to sustainability. Eleven experienced sustainability and corporate responsibility practitioners met in December 2010, January 2011 and again in March 2011 to review our report.

The panel members were:

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Kate Broome, Corporate Responsibility Manager, Network Rail and panel chair

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Hilary Davidson, Director of Sustainability, Duke Energy Corporation

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Rebeca Esteves, Account Manager, Business in the Community

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Dave Farebrother, Environment Director, Land Securities

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Ian Gearing, Head of Corporate Responsibility, National Grid

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Paul Edwards, Head of Sustainability, Hammerson

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Tim Goodman, Manager, Hermes Equity Ownership Services

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Chad Harrell, Director of Operations and Sustainable Business Development, UK Green Building Council

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Will Martin, Procurement Strategy Manager, Environment Agency

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Andy Spencer, Sustainability Director, CEMEX

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Lisa Shpritz, Environmental Risk and Sustainability Executive, Bank of America.

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The terms of reference for the panel can be downloaded from [www.collectiveresponsibility.net](http://www.collectiveresponsibility.net)

The views of the 2010 panel are reproduced, without amendment from Balfour Beatty together with our response.

## The assurance process

Our approach to assurance follows the key elements of the revised AA1000 Assurance Standard (inclusive, reflects material issues and is responsive to stakeholder concerns).

To help inform the stakeholder panel, we commissioned URS Corporation Limited to conduct a review of our sustainability programme and performance data, including how sustainability is embedded and managed across the company.

Key elements of this review comprised:

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Interviews with nine senior managers at Group level and a further eight senior managers and sustainability staff at seven operating companies in Hong Kong, Spain, Sweden, UK and USA to assess how sustainability is embedded and managed

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One-day data reviews and interviews at four operating companies – Balfour Beatty Capital Group Inc in Philadelphia, US; Balfour Beatty Construction US in Miami, US; Balfour Beatty Utility Solutions in Sheffield, UK and Mansell in Glasgow, UK and at Group Head Office in London to review the collection, collation and management of data at each level of the company

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One-day data reviews and interviews with employees at three project sites (Mansell at Clapton in London, UK, Balfour Beatty Capital Group Inc in Carlisle, Pennsylvania, US and Balfour Beatty Construction at Boca Raton in Florida, US) focusing on carbon emissions, materials, worker and public safety, value of sustainability goods and services, employee data and code of conduct training

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A thorough review of the draft Sustainability Report, assessing all qualitative and quantitative claims included for accuracy and reviewing further evidence provided by Balfour Beatty in support of these statements where required.

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The members of the URS project team have not been involved in the development of the report or associated sustainability programmes, data and information collection systems. This ensures that the URS project team is well placed to provide an independent review of our sustainability programme and performance data to the panel.

## Feedback

We believe that this approach to assurance is still unique for our sector. If you would like to share your views on our report with us, please email [sustainability@balfourbeatty.com](mailto:sustainability@balfourbeatty.com)

# INDEPENDENT AUDIT

Operating company management systems are subject to external audit through the Balfour Beatty Group Audit Protocol (BBGAP). The protocol assesses conformance against Group expectations and external management system standards (ISO 9001, OHSAS 18001 and ISO 14001) as well as practical implementation of controls at project or site level. DNV undertakes these audits across our UK operations and other parts of Europe. ERM has begun a similar programme for our US operations. Read DNV's assurance statement for the 2010 audit programme here:

## DNV Assurance Statement for BBGAP

Balfour Beatty engages Det Norske Veritas (DNV) to work with them in the development and implementation of the Balfour Beatty Group Audit Protocol (BBGAP) to achieve the following objectives:

To provide assurance to the Balfour Beatty Board and to Balfour Beatty management teams that Safety, Health, Environment and Quality (SHEQ) is being managed and delivered effectively to a consistently high level across all of its operating companies

Using a scored and quantified audit system that will support accurate benchmarking, both internally and between organisations, and drive continuous improvement

To maintain certification to OHSAS 18001, ISO 14001 and ISO 9001, as a byproduct of the BBGAP audit.

## Process

DNV has assessed the SHEQ performance of a number of Balfour Beatty organisations internationally, using the BBGAP as a basis for audit, and presents the detail of this in the annual report.

## Findings

As a result of this process, areas for improvement have been identified and corrective actions put in place across each of the organisations audited by DNV. The audits have also identified good practice in individual organisations which can be of benefit to the entire group. Eighteen Balfour Beatty organisations audited achieved a maximum of BBGAP Level 5 for process and 16 organisations also achieving a maximum of BBGAP Level 5 for implementation.

## Conclusion

The continued commitment to BBGAP, the focus once again on the split between process and implementation questions and enhanced consistency of requirements through the adoption of group standards has resulted in a number of key areas for improvement. Accordingly, the BBGAP process has been seen to be driving continuous improvement within the business. DNV commends Balfour Beatty for the continual progress it continues to make with respect to the improvement of SHEQ.

Overall from the audits carried out, and the resulting actions, DNV have a high level of confidence that Balfour Beatty is committed to meeting its obligations and is striving for excellence in its SHEQ management systems.

# GLOSSARY

Balfour Beatty WorkPlace	Market leader in support services to both private and public sector customers. The business has a total workforce of 10,000, with revenues of over £400m
BBPF	Balfour Beatty Pension Fund
BITC	Business in the Community
BK Gulf	A joint venture between Balfour Beatty and the DUTCO Group
BRE	Building Research Establishment
BREEAM	Building Research Establishment Environmental Assessment Method
BSF	Building Schools for the Future
CABE	Commission for Architecture and the Built Environment
CDP	Carbon Disclosure Project. An independent, not-for-profit organisation holding the world's largest database of primary corporate climate change information
CEEQUAL	Civil Engineering Environmental Quality Assessment and Award Scheme
Code of Conduct	Balfour Beatty's Code of Conduct stems directly from our values. It underlines our ethics and the responsibility we all have to protect the company from risk, both legal and reputational. It also offers our employees principles on how our values can be translated into everyday actions
Connect Plus	A consortium comprising Balfour Beatty, Skanska, Atkins and Egis Road Operation UK
CRC	Carbon Reduction Commitment Energy Efficient Scheme
DBFO	Design, Build, Finance and Operate, the Highways Agency's private-capital road building programme
DECC	Department of Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
Divisions	The divisional structure of Balfour Beatty that makes up the Group
Dutco Balfour Beatty	A joint venture between Balfour Beatty and Dubai Transport Company
FCPA	Foreign Corrupt Practices Act
FSC	Forest Stewardship Council
Gammon Construction	A joint venture between Jardine Matheson and Balfour Beatty
GCC	Global Corporate Challenge
GHG Protocol	Greenhouse Gas Protocol
GIACC	Global Infrastructure Anti-Corruption Centre
GRI	Global Reporting Initiative
Group	The Balfour Beatty Group
Heery	Part of Parsons Brinckerhoff, Heery offers project and construction management and related services to the building and development sector
HR	Human Resources
IEMA	Institute of Environmental Management and Assessment
IGT	Innovation and Growth Team

ISO 14001	International Standard for Environmental Management Systems
JV	Joint venture
KPIs	Key Performance Indicators
LED	Light-emitting diode
LEED	Leadership in Energy and Environmental Design.
Mansell	Part of Balfour Beatty, a leading UK construction company
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
OGC	The Office of Government Commerce
Operating company	Refers to one of the businesses that makes up the Balfour Beatty Group
OPR	Organisational and People Review
PEFC	Programme for Enforcement of Forestry Certification
PFI	Private Finance Initiative
PPE	Personal Protective Equipment
PPP	Public-Private Partnership
Project GrACE	Group Aggregation of Common Expenditure (Balfour Beatty's UK supply chain management project)
SaFED	The Safety Assessment Federation
SAYE	Save As You Earn
SFO	Serious Fraud Office
SHEQ	Safety, Health, Environment and Quality
SIPP	Self Invested Personal Pension
UKCG	UK Contractors Group
UK-GBC	UK Green Building Council
Values	Balfour Beatty's values are Integrity, Teamwork, Excellence and Respect
WRAP	Waste & Resources Action Programme
WWF	World Wide Fund for Nature (World Wildlife Fund in US and Canada)
Zero Harm	A key Balfour Beatty commitment to achieve Zero Harm across the business

To find out more and join the debate, please visit us at [www.collectiveresponsibility.net](http://www.collectiveresponsibility.net)