



We work for you



Balfour Beatty
Sustainability Report 2012

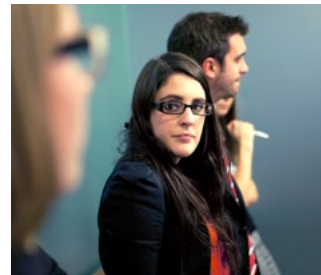
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Balfour Beatty

For all sustainability enquiries please contact Chris Whitehead sustainability@balfourbeatty.com
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This year's report revolves around the three principles of materiality, clarity and transparency



Our Next Generation Stakeholder Panel expect an open and candid dialogue with us and in this report we have sought to meet their expectations – see page 25 for more details.



The principles on which our Annual Sustainability Report is based are fundamental to any well-run business: concentrate on the things that matter, obtain unambiguous information on how we are performing, and be candid about our successes and shortcomings. This is the most direct, and possibly the only, route to meeting the expectations of our clients, employees and communities.

There are no surprises in this year's materiality analysis. Energy use, greenhouse gas (GHG) emissions, waste and health & safety are the things that matter most to our clients and employees and are the fundamental pillars of our 2013–2015 Roadmap, now downloadable, with the associated [User Guide](#), from our website www.balfourbeatty.com

Clarity is something that the young people on our Next Generation Stakeholder Panel are looking for. They expect an open and frank dialogue with us and in this report we have sought to achieve that. Neither our safety performance nor our GHG emissions meet their, or our, aspirations and we will intensify our efforts on these in 2013. In contrast they have been impressed by the progress we have made on waste reduction, on recruiting and developing talented people and on diversity.

This year's report has been subject to an increased level of data assurance. During that process our own internal audit department has drawn attention to the potential for significant inaccuracies in the North American data and this report should be interpreted with that in mind. We will be working to improve the quality of all of our data during the coming year.

We were delighted that our 2011 Sustainability Report attracted the Building Public Trust Sustainability Report Award for a FTSE 250 company – see page 8 case study. This year's report continues in the tradition of transparency recognised by that award.

Ian Tyler
Chief Executive

Materiality

Focused on the activities that have the greatest impact

Clarity

Straightforward and unambiguous

Transparency

Accessible, frank and open

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Summary statements by stakeholder panel chairs

For the full stakeholder panel statements see page 26

In our fifth stakeholder panel statement we commend Balfour Beatty for establishing the Next Generation Stakeholder Panel. We also applaud the content of the 2013–2015 Roadmap, which has addressed many of this panel’s previous comments.

We would have liked this year’s report to contain more information on how Balfour Beatty is influencing suppliers and clients to improve sustainability practices and outcomes. An element we felt was missing is how Balfour Beatty ensures the ethical treatment of children, for example child labour in its supply chain.

Whilst excellent practices exist for focusing on safety (such as the Global Stand Down, the inclusion of subcontractors in safety metrics and root cause analysis), safety performance is still off target. This is an area for particular attention in 2013.

Similarly, whilst there are a number of excellent community engagement stories, a more robust statement of strategy is required in this area.

The panel would like to recognise Ian Tyler for his leadership in sustainability, and also provide a warm welcome and challenge to Andrew McNaughton, to continue Balfour Beatty’s commitment to sustainability and, in particular, to increase the focus of the business on safety.

We hope that our feedback serves to help Balfour Beatty continuously improve its sustainability performance and remain leaders in the construction sector going forward.

Hilary Davidson
Expert Advisory Panel Chair



The panel recognises the forward thinking of Balfour Beatty in giving us, the next generation, a rare chance to review and critique what Balfour Beatty is doing on its Roadmap to sustainability.

We feel that the report meets our expectation of transparency. However, the business now needs to take action to resolve the data inconsistencies found by internal audit in North America.

There are excellent examples of sustainability implemented in the Group’s projects and practices, such as Hong Kong’s first zero carbon building and the higher than sector average female graduate recruitments. The next step is to communicate effectively and share best practice.

The focus of Building Better Futures on the young and disadvantaged illustrates a real commitment to future generations. We would like to see the Company build on Project HOME in the USA and its apprenticeship schemes in the UK. Can Balfour Beatty play a lead role in encouraging more schoolchildren to study STEM subjects?

Balfour Beatty performed well in 2011 in meeting its target of halving waste to landfill. However, since then its performance has remained disappointingly static. Annual targets ought to be set in this key area.

It is essential that this generation has a say in the decisions made now, to protect our future and the future of still younger generations. We trust that this panel will always continue to meet and make a significant contribution to the Group on its path to sustainability.

Thomas Whiting
Next Generation Stakeholder Panel Chair



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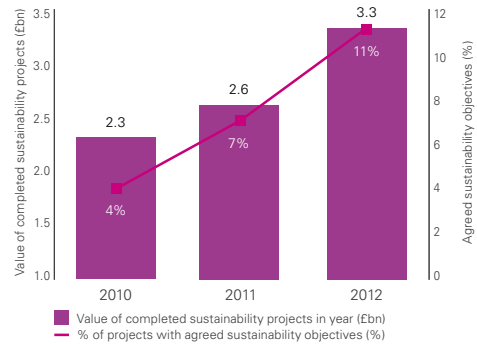
2012 performance highlights

See page 32 for our performance against our 2012 goals.

Meeting the needs of our clients

Central to our approach are work winning and delivery teams that understand sustainability in depth and can engage our clients in an intelligent dialogue.

Value of completed sustainability projects and % projects with agreed sustainability objectives



Reducing waste

We are delighted to confirm that we met our 2012 target of a 50% reduction in waste to landfill

Robeco SAM

In the 10th edition of its annual yearbook, Robeco SAM, the sustainability investing specialist, acclaimed Balfour Beatty as the "Sector Mover" in the Heavy Construction sector.

[The Sustainability Yearbook](#)



"It was hard work this week but I have taken a huge amount out of it!"

Peter Kirk

Developing our people

Investing in knowledge, skills and behaviours not only allows people to fulfil their potential, but is essential to the delivery of a different kind of proposition in the market, founded on a deep understanding of our clients' assets. Our Group Leadership Framework, which articulates what the Group expects of its leaders today and in the future, continues to be the foundation for our development activity.



Valuing diversity
21%
of our graduate intake in 2012 were women

Valuing diversity

We are very pleased to report the appointment of our first female Board member in 2012. Maureen Kempton Darkes joins us with a wealth of experience that will help the Group fulfil our ambitions for growth.



Sustainable materials management reduces costs as well as environmental impacts and helps ensure the long term availability of the resources that we will need for our future operations.

Zero carbon



Hong Kong's first zero carbon building

Hong Kong's first zero carbon building is one of Balfour Beatty's growing portfolio of zero and low carbon buildings, including the Lady Bird Johnson School in Texas – the USA's largest net zero public school – and Marks & Spencer's Cheshire Oaks Eco-Store.



Growing our business

The nexus between ubiquitous technology, resource scarcity and demanding economic circumstances provides huge opportunities for us. The agility and entrepreneurship of our businesses is rising to the challenge.

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Managing Sustainability

Sustainability is an integral part of the dialogue we have with our clients, the products we deliver and our management systems.

Before the “S” word became fashionable it was a natural part of Balfour Beatty’s approach to business – identifying and taking profitable market opportunities, encouraging our clients and investors to think about the long term, acquiring businesses on the basis of their ability to make an enduring contribution to our portfolio. And conducting our businesses ethically and with integrity in all of our geographies. Stewardship, a different “S” word but the same meaning for us.

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We are using sustainable thinking to enrich the dialogue we have with our clients



We believe that the way we develop and deliver sustainable solutions will be a key differentiator in our increasingly competitive markets. Central to that approach will be the deployment of work winning and delivery teams that understand sustainability in depth and can engage our clients in an intelligent dialogue.

Andrew McNaughton
Deputy Chief Executive
and Chief Operating Officer



This year saw the third series of annual work winning workshops at which the business development and sustainability leads from all of our operating businesses came together to share experiences and knowledge. The discussions that were initiated at these workshops will continue within the virtual communities on "360", our global collaborative working platform.

Our ability to engage with our clients on sustainability will be maintained through, for example, our continuing participation in the UK Green Building Council Leadership Network and our involvement in the US Energy Efficient Buildings Hub.

One manifestation of that engagement is the support provided to Yorkshire Water by Balfour Beatty Utility Solutions in connection with Yorkshire Water's development of an ecological footprint and an environmental P&L for their business. We are meeting with the Hong Kong MTR Corporation, who rate us as one of their top three sustainable suppliers, to share our experiences of carbon accounting. The Association of Defense Communities recognised our collaborative work at Fort Carson with their PPP Energy and Sustainability Partner of the Year Award.

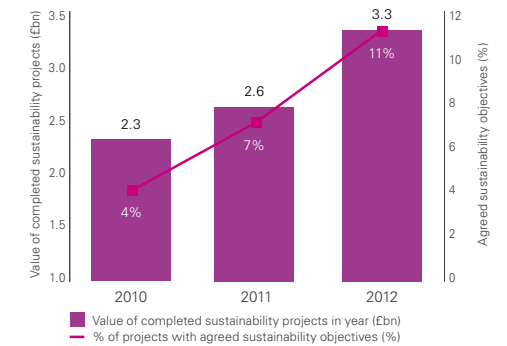
This year we continued our rollout of the MAP, our flagship client service programme, with the objective of delivering a consistent brand experience to our clients. An understanding of the financial constraints within which our clients work has led us to focus on leveraging the latest technology to deliver projects more efficiently.

We are a leading practitioner of Building Information Modelling (BIM) in the USA, UK and Hong Kong. A case study of our work at St Silas School in Blackburn, underlining the role of BIM in eliminating waste, made the front page of Architects Journal in November.

Sustainability is increasingly central to the solutions we develop with our clients.

Our 2015 target is to agree sustainability objectives with our clients on 100% of projects.

Value of completed sustainability projects and % projects with agreed sustainability objectives



The MAP

We see client service as central to having a long term business.

Originating in our US Construction Business, over half of our businesses now use the MAP to capture what characterises success from the standpoint of our clients.

On Tameside Hospital, Project Director Gillian Parker told us that they wanted a well-managed design review process, no disruption to their existing operations and a smooth handover. Our willingness to listen and respond culminated in her ranking our performance on completion as industry leading.



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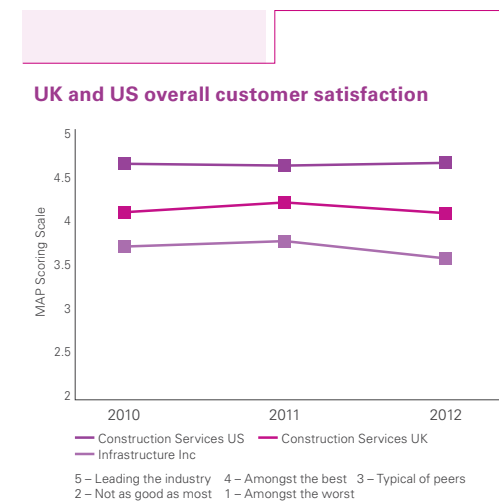
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We are growing our sales in sustainability products and services

Retrofit of 170 M&S stores

As part of its drive to become the world's most sustainable retailer, Marks & Spencer has set a target of reducing its energy use by 35% by 2015.

In support of this goal, Balfour Beatty has completed the installation of low energy LED lighting across 170 of its UK stores. This represents the first phase of a project that will continue with the integration of further energy saving measures, including the remote monitoring of all energy systems.

 [Read more](#)



”

In 2012 we have set out to work in markets where sustainability is driving growth, to work for the opinion leaders and to actively influence the market. This has demanded a new spirit of entrepreneurship and agility from our businesses.

Jonathan Chapman

Director of Strategic Development, Balfour Beatty Utility Solutions and Sustainability Working Group member

Right now we are encountering a sustainability-economy-technology nexus. Resource scarcity, economic stress and ubiquitous technology are changing our markets and the way in which we do business faster than ever.

Our unique combination of capabilities makes us ideally suited to the new green industries where integrated design, construct, finance and operate solutions are commonly required by clients.

We are preferred bidder on a 20MW biomass power plant in Brigg, Lincolnshire and have active bids in progress for further schemes. Parsons Brinckerhoff completed two front-end engineering design (FEED) studies for biomass conversion projects during the year.

We have completed FEED studies for concentrated solar and have participated in DBFO bids for two such plants in Australia. In the USA we have signed a contract to install the world's largest domestic solar array, encompassing 4,700 units of military housing at Fort Bliss, Texas. The project will generate 26% of the electricity consumed by the estate. www.balfourbeatty.com/AR2012

In 2012 we completed the electrical installation for the second phase of Europe's largest onshore wind farm at Whitelee and are currently preferred bidder on the two largest Offshore Transmission Operator (OFTO) contracts awarded to date by the UK Government.

This year Gammon Construction added Hong Kong's first zero carbon building to a portfolio of low carbon buildings that includes the carbon neutral Lady Bird Johnson Middle School in Texas.

In the US we have strengthened our position in the green retrofit market with the renovations of the Jackson Federal Building and the Edith Green Wendall Wyatt office building, and the Austin Independent School District retrofit.

Finally, we have found that the initiatives we have taken on community engagement in our established markets are exportable and attractive in emerging markets such as South Africa and Brazil, where social performance is a formal requirement of public contracts.

+27%

Sales in sustainability products and services ("green" buildings and renewables)

103

2012 work winning case studies that make reference to sustainability



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We conduct our business ethically in all our geographies

-5%

Code of Conduct cases (excluding HR grievance)

>40,000

Employees who have completed online Code of Conduct training



”

How we go about our business is a critical element in our success. Our values are at the heart of everything we do, and our goal is to conduct our business with integrity in all our geographies. Our ethics, values and compliance programme is designed to help embed ethical behaviour and integrity across our business, to help manage legal and reputational risks and to build confidence and trust with our stakeholders.

Chris Vaughan
General Counsel and Chief Corporate Officer

Our ethics, values and compliance programme covers corporate behaviour generally, as well as bribery, fraud and competition law, data protection and human rights. The foundations of the programme are our values, our Code of Conduct and the Code's associated training modules. We focus our efforts on the difficult areas; on judgement calls and on doing what we think is right. Complying with the law is the minimum we expect. To date more than 40,000 employees have completed the first online training module on the Code of Conduct and more than 26,000 the second module.

In 2012 we began rolling out a classroom-based ethical training programme for site operatives. This rollout should be completed in 2013.

We encourage employees and others to come forward if they witness or suspect behaviour that

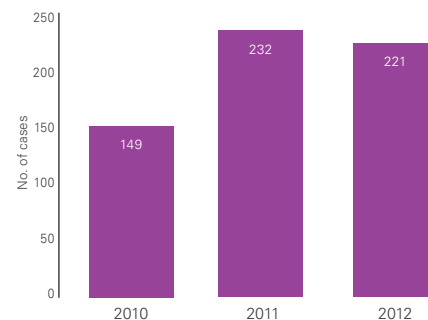
is unethical or breaches our Code of Conduct. We log all such cases, whether reported via the Ethics Helpline, detected by local management or received via other whistle blowing channels.

This year, for the first time since the launch of the new Code of Conduct and Ethics Helpline in 2009, we saw a slight decrease in the number of cases. Whilst this may indicate a reduction in unethical behaviour, we believe that we are still experiencing under-reporting in some countries, where there may be greater cultural inhibitions concerning whistleblowing. Moreover, we would hope and expect to see an increase in reporting once the site operative ethics training has been fully rolled out. We would view such an increase as positive.

We are corporate supporters of Transparency International, the Institute of Business Ethics and the UK Anti-Corruption Forum, and we work with all three organisations to help develop and share best practice and promote their objectives.

Balfour Beatty in the UK is registered with and currently undergoing stage 2 of the charter mark accreditation process for Investing with Integrity™.

Ethics Helpline cases (excluding HR grievance)



Building Public Trust Awards 2012



Our 2011 Annual Sustainability Report took the FTSE 250 Sustainability Report Award in the 2012 Building Public Trust Awards (at the same time, the Highways Agency, one of our leading clients, won the Public Sector Sustainability Report award).

This award recognises clarity and transparency in sustainability reporting. For more of our 2012 awards see the section headed "Awards" in the appendix. See page 35.

[Read more](#)



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We embed sustainable thinking in our risk management processes

” **A systematic and effective approach to identifying and managing risk is central to our business. Our Sustainability Roadmap is an integral part of the management systems approach that we adopt to manage risk, capturing those strategies and measures that are essential to our long term viability.**

Amit Shah
Head of Group Risk Management and Assurance

Risk management processes are embedded throughout the Group, at all levels, and assist management in identifying and understanding the risks they face in delivering business objectives and the status of the key controls they have in place to manage those risks.

Risk registers are used to record the risk events identified, their causes and possible consequences. Risks are then analysed as to the likelihood of occurrence and also the potential impact on the business. Actions are then developed (with individuals being given accountability for them) and put in place to mitigate or eliminate unwanted exposures. Risk registers and the related action plans are subject to regular review to identify emerging risks, remove expired risks and update mitigation plans.

Individual projects consider a number of risk categories, including sustainability, in developing their risk registers and action plans.

At Group level, one of the most significant risks we face is that the business fails to deliver its 2013–2015 Roadmap targets and ultimately its 2020 Vision for Sustainability. As a consequence its competitive position may be eroded. This might be characterised as “failing to do the right thing”.

Management measures which address this risk include setting clear targets and ensuring that our non-financial performance data is accurate:

only if such data is accurate will managers rely and act on it. As Ian Tyler confirms in his introduction to this report, we have tightened up our data assurance in 2012 and as part of that process our internal audit department highlighted inaccuracies in our North American data. Consequently this data has been excluded from KPMG’s external assurance engagement.

A further group of risks fall into the “doing the wrong thing” or “hygiene” category. These arise from a failure to execute projects in a sustainable manner and include environmental spillages, using material from unethical sources and labour rights infringements. This could result in the Group suffering significant potential liabilities, reputational damage and not being able to win future work. These risks are managed through our Environmental Management System and our sustainable procurement procedures – see pages 14 and 33.

More details of the Group’s risk management process and its principal risks are given in the Annual Report and Accounts 2012 on page 58 to 61.

27

Documented sustainability related strategic risks

£66,827

Fines due to environmental incidents



California High Speed Rail

Parsons Brinckerhoff has been providing program management services to the California High Speed Rail Authority since 2008.

As part of this contract Parsons Brinckerhoff provides a Sustainability Manager, who develops program-wide sustainability policies related to station planning, infrastructure and facilities design, and construction sustainability with the objective of managing the associated risks.

Parsons Brinckerhoff also carries out greenhouse gas emissions calculation and reporting for the Authority to ensure that the project is in conformance with California legislation.



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Healthy Communities

We actively embrace all the stakeholders in our projects. We can only maintain a successful business if our clients, supply chain and the communities in which we work also prosper.

That is why we are committed to local capacity building, training and developing our future workforce. That is why we volunteer, raise money for local charities, and mentor and share knowledge across our supply chain. And that is why we work relentlessly to ensure a safe workplace for our workforce and a safe environment around our sites for the public.

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We are removing the risk of injury from our workplaces



Leaders are accountable for implementing and driving the measures needed to eliminate risk, create safe working environments and share best practices across the Group.

Andrew McNaughton

Deputy Chief Executive and Chief Operating Officer

The Group Accident Frequency Rate (AFR) decreased to 0.16 in 2012 from 0.17 in 2011. This falls short of the 0.10 target we set ourselves for 2012. However, there were significant improvements in many parts of the Group with 20 out of 34 businesses showing either an improved AFR or maintaining a zero AFR in 2012 compared with 2011. The overall Group AFR has reduced by 69% since 2001 and 20% since 2008 when we started out on our Zero Harm journey.

Despite all our continued effort, we regret that, tragically, across the Group there were eight worker fatalities during 2012 – three in the UK, two in North America, two in Australia and one in Indonesia.

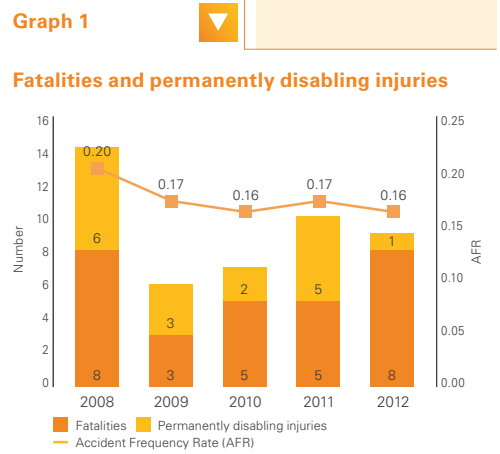
We continue to improve our investigation and reporting of high potential incidents – those incidents that under different circumstances could result in serious injury or fatality. By analysing all incidents we identify common fatal risk areas across the Group. In 2012 those risks were working with electricity, working at height, lifting operations, plant and equipment operation, falling objects and driving. Lessons learned from high potential incident investigations are shared across our entire Group and the building blocks of future improved performance constructed from them.

We ensure our employees are fit for work and undertake regular occupational health screening.

During 2012, 8,548 employees received screening (2011: 9,676). Of these 4% were referred for further medical examination (2011: 7%). This decrease in the number of referrals may be attributed to our improved workplace controls around occupational health issues.

115 injuries to the public were reported in 2012 (2011: 127). Two incidents resulted in a major injury. 64% of all injuries were due to slips, trips and falls, with a further 15% due to a moving or falling object.

In 2013 we will place a renewed emphasis on the elimination of risk, on increasing the level of personal accountability and on sharing best practice.



-6%
Accident frequency rate

92,959
People attended our worldwide Safety Stand Down Day



Global Stand Down

In June 2012 Balfour Beatty held a worldwide Safety Stand Down Day where all 50,000 of our employees and the wider Balfour Beatty community including our supply chain, joint venture partners and clients, took two hours out of their working day to focus on nothing else but safety.

On the day **92,959** people participated, reaffirming their individual responsibility to keep their colleagues and members of the public safe from harm.

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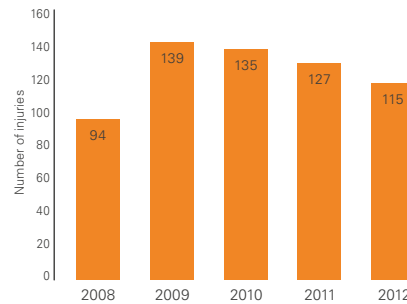
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Graph 2

Injuries to members of the public



-6%

Accident frequency rate

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We see the development of our people as central to the delivery of a different kind of market proposition



The development of our people is a cornerstone of our plans for growth. Investing in knowledge, skills and behaviours not only allows people to fulfil their potential, but is essential to the delivery of a different kind of proposition in the market, founded on a deep understanding of our clients' assets.

Paul Raby
Group Human Resources Director

In 2012 we complemented our existing strong commitment to technical skills development with targeted interventions relating to the right behaviours and business knowledge at key transition points on a career path. Our commitment to development helps sustain the empowering and supportive culture that delivers high levels of employee engagement across the business.

Our Group Leadership Framework, which articulates what the Group expects of its leaders, continues to be the foundation for our development activity. During the year, we sought to promote more of a "future focus" through the launch of a consistent definition of high potential in the Group. In the summer, we launched the first in a series of Group Development Centres to assess talented individuals against this common standard.

Notwithstanding a challenging business environment we have maintained our investment in development, complementing

our established Graduate Development Programme with two new leadership interventions. The Advanced Management and Executive Leadership Programmes, both run for the first time in 2012, aim to support those taking on their first business or divisional leadership roles with specific applied learning and case studies and opportunities for participants to extend networks and share knowledge right across our business. We have developed our "Top 500" Leading Change programme into a broader change intervention aimed at leading transformation in safety, sustainability, and innovation and collaboration.

Next year, in addition to a deeper relationship with our top talent through more focus on Development Pools in our annual Talent/Succession review, we will leverage our new 360 intranet platform to extend "on the job" learning and the opportunities we provide for young people to achieve technical skills and qualifications whilst working for the Group.

Group Development Centres

Peter Kirk was invited to the first in a series of new Group Development Centres.

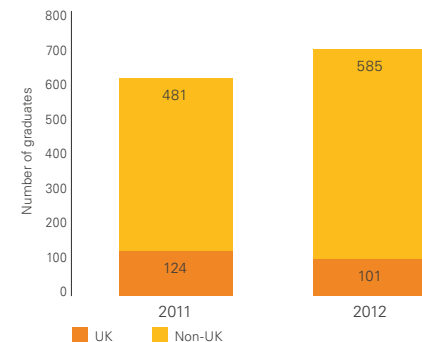
Developed in consultation with Kiddy & Partners, the centres comprise an in-depth career interview and a series of business simulations supported by professional actors. Assessment is against a Group-wide definition of leadership that aims to promote more consistency in the identification of potential. Peter's verdict: "It was hard work this week but I have taken a huge amount out of it!"

[Read more](#)



Graph 1

Graduate intake 2011-2012



Performance development reviews	2011	2012
All employees	54%	50%
Staff	59%	63%

Training days per employee	2011	2012
All employees	3.0	2.3

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We see the development of our people as central to the delivery of a different kind of market proposition



The development of our people is a cornerstone of our plans for growth. Investing in knowledge, skills and behaviours not only allows people to fulfil their potential, but is essential to the delivery of a different kind of proposition in the market, founded on a deep understanding of our clients' assets.

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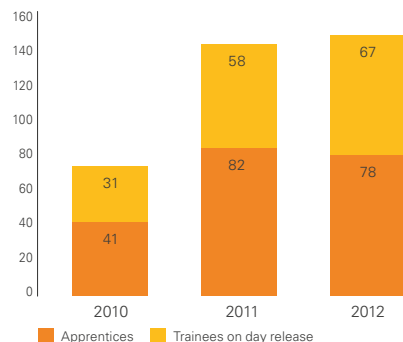
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Graph 2

Apprentices and trainees



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All employees	54%	50%
Staff	59%	63%

Training days per employee	2011	2012
All employees	3.0	2.3



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We are building an organisation that celebrates and makes the most of its diversity

1st

Diversity on our main board

We are very pleased to report the appointment of our first female Board member in 2012.

Maureen Kempton Darkes joins us with a wealth of experience that will help the Group fulfil our ambitions for growth. She is an ex-Group Vice President for General Motors in Latin America, Africa and the Middle East and her portfolio of non-executive directorships includes Canadian National Railways (Brookfield Asset Management) as well as Bridgepoint Health Foundation and Enbridge Inc.



”

An inclusive culture helps our business grow as a strong, dynamic and innovative organisation. We believe that an organisation in which individual differences are celebrated maximises the skills and experience at its disposal to benefit clients, our people and the communities we serve.

Richard Gartside
Director of Talent and Leadership Development

Graduate gender & ethnic minority statistics

Year	Total intake	Women	Ethnic Minorities
2011	124	20%	15%
2012	101	21%	15%

The approval of a Group wide Business Case by the plc Board at the end of 2011 triggered a new phase in our diversity journey. Since then, the Group and Divisions have agreed a series of three-year action plans to sustain progress on this agenda. Over the past 12 months we have announced the appointment of our first female member of the Board and Executive Sponsor on diversity and set up a Group wide steering group to share best practice and generate momentum. We have also introduced formal diversity targets for the first time (in our 2013–2015 Roadmap) and undertaken external benchmarking so we can gauge our progress against competitors and the market.

We have initiated an exercise to raise awareness on diversity across our business including a review of material on our Group website and a new Group Diversity Statement that clearly articulates what we stand for on this issue. We have started a series of focus groups to explore the perceptions of our people on diversity and inclusion, and have sponsored a series of external events to identify and channel a more diverse external pipeline of talent into the organisation. We have incorporated

“unconscious bias” training into our Advanced Management programme and continue to improve the development and progression of under-represented groups in our annual talent and succession framework.

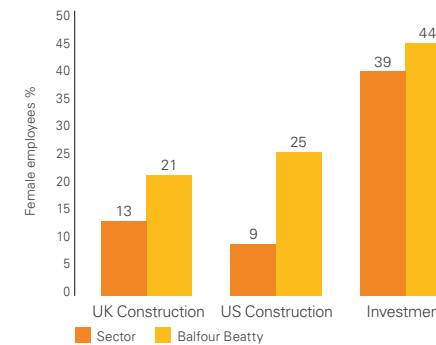
The solid start we have made in progressing the diversity agenda in the Group was recognised in November when we were awarded Bronze status by both Opportunity Now and Race for Opportunity in the UK’s most comprehensive survey of diversity and equality in the workforce.

Next year, we intend to sustain this momentum through the activities set out in the second year of our action plans, including sponsorship of networking events for female staff and the promotion of our diversity credentials externally based on recognition and accreditation in relevant awards and standards.



Graph 1

Women in the workforce in the sector vs Balfour Beatty



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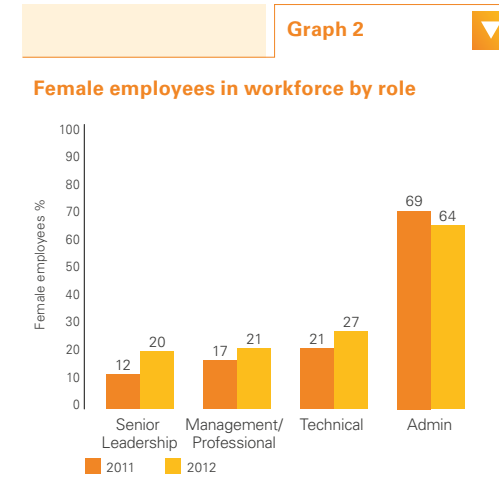
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We are helping our supply chain realise its potential to deliver value

” Our supply chain has a critical role to play in delivering sustainable projects. We continue to develop and share good practice on responsible procurement across our business and are working with suppliers to deliver innovative, more sustainable solutions.

Chuck Kohler
Director of Operations

Balfour Beatty’s utilities and facilities management businesses employ a large proportion of their operatives directly. However, our construction businesses typically subcontract over 90% of their workload. Their performance depends on their ability to orchestrate the activities of their supply chain in order to provide a seamless service to our clients.

During 2012 our operating companies have held regular “Meet the Buyer” days and supply chain conferences to share our Zero Harm and sustainability visions and communicate future plans for our businesses. We also use these events to secure feedback from suppliers to help drive our Operational Excellence programme.

In the UK we run Dragon’s Den events where suppliers put forward innovation proposals to secure investment from Balfour Beatty by way of demonstration projects and advice.

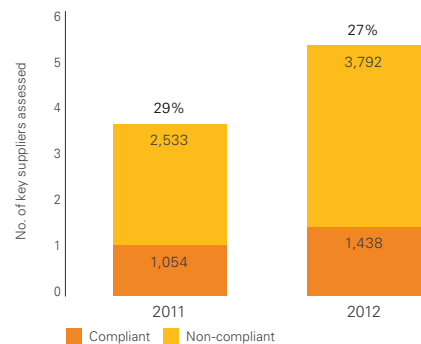
Many of our key categories of spend are actively managed through formal sourcing and category plans at Group level. This approach involves the creation of collaborative relationships with principal supply chain partners. In 2012, Balfour Beatty spent £6 billion globally, with over 30,000 providers, of which £1 billion was actively managed through industry-leading category management approaches. (This figure is unchanged from 2011.)

Our Supply Chain Code of Conduct mandates equitable treatment of our supply chain and is

reinforced by the target in our 2013–2015 Roadmap to pay all of our suppliers within 30 days of the due date. We are signatories to the Prompt Payment Code and are currently launching a supply chain finance scheme which will give our UK suppliers access to low cost funding.

In 2013 our Sustainable Procurement Working Group will continue to embed a consistent approach to sustainable procurement across our supply chain by reference to the DEFRA Flexible Framework. In connection with this a sustainable procurement e-learning course was developed in 2012 and will be rolled out during the coming year.

Proportion of key suppliers in compliance with sustainability objectives



17%
Group category management as a percentage of total spend

-2%
Key suppliers in compliance with sustainability objectives as a percentage of total suppliers



Rail-mounted concrete plant

For the North West Electrification Project, Balfour Beatty Rail needed to achieve a higher output of concrete per shift than was available from the existing plant.

Working with local plant manufacturer Nurock Mixers Ltd of Liverpool they developed a bespoke rail-mounted concrete batching unit. In service the unit has increased the number of bases poured per shift by 50%, eliminated waste and improved both quality and operative safety.

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We are supporting the communities in which we work

Switch4Good

Switch4Good is a community engagement programme with a difference. In 2012, Balfour Beatty commenced the rollout of a smart grid programme to leverage energy data collected by two-way “smart” meters in order that 20,000 family members in over 5,000 military homes can make better decisions on energy use.

Consumption data for both residents and their peer house types (normalised for weather, building materials, age, size and occupants) is available online 24/7 and is also accessible via mobile devices.

 [Read more](#)



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Balfour Beatty works at the heart of local communities around the world. We believe that, in addition to the contribution we make to the physical fabric of society, we have a responsibility to support its social fabric too, building local capacity, providing training, apprenticeships and jobs.

Mark Peters
Head of Secretariat and Sustainability Working Group member

Focused on the young and disadvantaged, our community engagement programme is multi-faceted. It includes both corporate programmes, capable of adaptation for specific communities, and custom-built programmes. It includes charitable giving, in-kind support by our businesses and volunteering.

Over the past three years Balfour Beatty plc, the Balfour Beatty Charitable Trust and our employees have raised over £3 million for charities, principally Action for Children, the London Youth Games, The Prince’s Trust, The Thomas Coram Foundation, RedR, CRASH, Business in the Community and Project HOME (Philadelphia).

We are lead sponsor for the London Youth Games, which works with some of the most disadvantaged young people in London. In 2012 104,000 young people participated in this event. 10,000 people have participated as volunteers in the Games, including 300 Balfour Beatty staff.

In Philadelphia, we have been funding a mathematics programme for children of destitute families to help them keep pace with more fortunate social groups in the race for high school and college places.

Through a community interest company (CIC) we are working to create sustainable employment opportunities for young people in the London Olympic Park boroughs, where we have a long term maintenance contract. The CIC is a partnership with social enterprise Renaisi and environmental regeneration charity Groundwork.

In South Africa, Parsons Brinckerhoff give financial and practical support to the Compass Care Centre in Edenvale which provides food and shelter to poor, homeless, and unemployed mothers and their children. Parsons Brinckerhoff built a community garden for the centre, enabling residents to grow their own food.

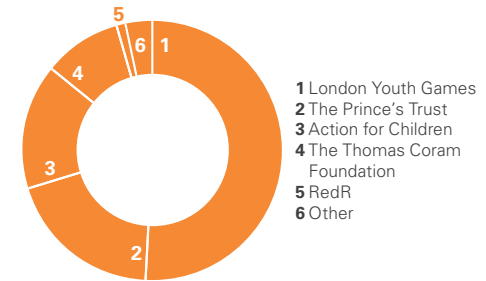
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In 2012, 163 young people received Prince’s Trust Development Awards. Through Action for Children, 295 care leavers received grants to help them set up their first independent home and over 17,000 children attended Coram’s Life Education classes.

And, of course, these programmes have improved the interpersonal, mentoring and leadership skills of the participating Balfour Beatty volunteers.

Graph 1

Charitable funds from the Charitable Trust, staff fundraising and Balfour Beatty plc donations



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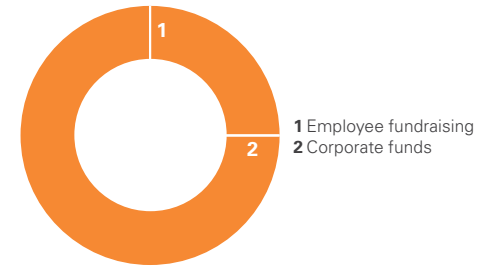
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Graph 2

Balfour Beatty Charitable Trust



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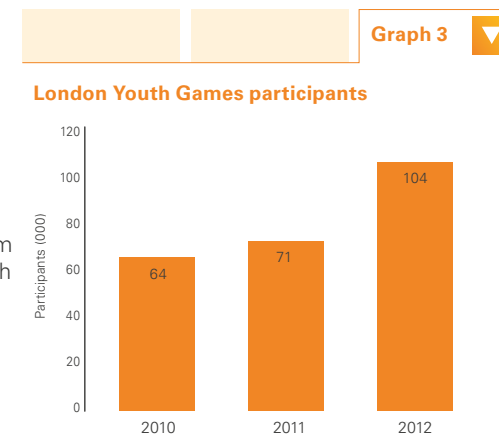
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This year we have delivered more for less by creating less waste, using more recycled material and designing our projects more efficiently.

Much of what we are achieving is technology enabled. Embodied carbon reductions result from computer-optimised design solutions. We are driving out waste onsite through the deployment of Building Information Modelling (BIM) which eliminates site rework, facilitates offsite manufacture and enables us to simulate the construction process, resulting in efficiency gains and a safer working environment. And we are cutting our own GHG emissions via the use of remote access BMSs and low carbon vehicles.

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We are reducing GHG emissions for ourselves and for our clients



As well as seeking to reduce our own energy use, we are helping our clients reduce their own carbon footprints, build new low carbon infrastructure and protect existing infrastructure from the impacts of climate change.

Tabitha Crawford, CEM

Senior Vice-President Sustainability and Innovation, Balfour Beatty Investments and Sustainability Working Group member

Although our overall absolute CO₂ emissions have remained almost the same between 2010 and 2012, we have made significant improvements in reducing carbon in the UK where our Scope 1 and 2 emissions have dropped from 259,745 tonnes of CO₂ equivalent (CO₂e) in 2010 to 174,834 tonnes of CO₂e in 2012. These reductions are in part due to a policy of connecting to the electricity grid on construction sites early on in order to avoid having to run generators, which have a greater carbon footprint.

Further contributions have been made by a more efficient plant and vehicle fleet and, in the UK, the development of a “green” specification for our site accommodation, including lighting proximity detectors, enhanced insulation and timers on heaters.

Our global sustainability month initiative featured an energy awareness campaign across all of Balfour Beatty.

The increase in CO₂ emissions from the 2010 baseline of 131,564 CO₂e for the Rest of the World (ROW) to 205,178 is reflected by our significant growth in Hong Kong and China and the use of heavy machinery such as tunnelling equipment to build new underground mass transit routes.

Overall our intensity is continuing to improve. Our CO₂e emissions/£m turnover dropped from 47.3 tonnes of CO₂/£m to 41.0 tonnes of CO₂/£m.

Our 2015 goal is to achieve a minimum reduction of 20% of our Scope 1 and 2 emissions (against a 2010 baseline). Our 2013–2015 Roadmap also includes a 10% reduction target for the Scope 3 emissions that emanate from our projects and a 20% reduction target for the Scope 3 emissions associated with business travel (both against a 2013 baseline).

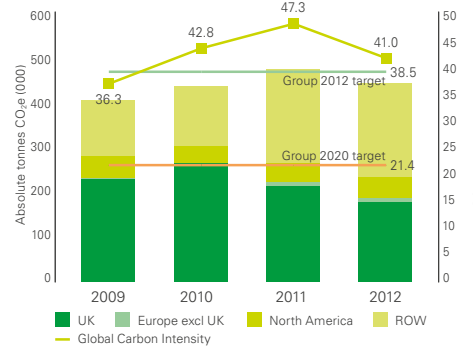
These targets will mean reduced lifecycle costs for our clients and reduced operational costs for our businesses. A number of our clients have expressed an intention to prequalify contractors on the basis of their carbon performance in the future so there is a direct commercial incentive.

In connection with the refurbishment of our Head Office in London we have carried out an energy survey and SKA assessment to identify energy efficiency measures for incorporation into the design. Through this we will achieve a SKA Gold rating.



Graph 1

Global absolute tonnes CO₂e and CO₂e per £m revenue (Scope 1 and 2)



-16%

Absolute total UK Scope 1 and 2 emissions excluding business travel

78/100

Our 2012 Carbon Disclosure Project (CDP) score



Hong Kong's first zero carbon building

Gammon Construction built the first zero carbon building in Hong Kong in just 11 months. The building, developed for the Construction Industry Council, will offset both embodied carbon and operating carbon emissions over its design life by producing more energy than it consumes. As an innovative model for energy neutrality, the building achieved the Grand Award at the Hong Kong Green Building Awards in 2012.



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Further contributions have been made by a more efficient plant and vehicle fleet and, in the UK, the development of a “green” specification for our site accommodation, including lighting proximity detectors, enhanced insulation and timers on heaters.

Our global sustainability month initiative featured an energy awareness campaign across all of Balfour Beatty.

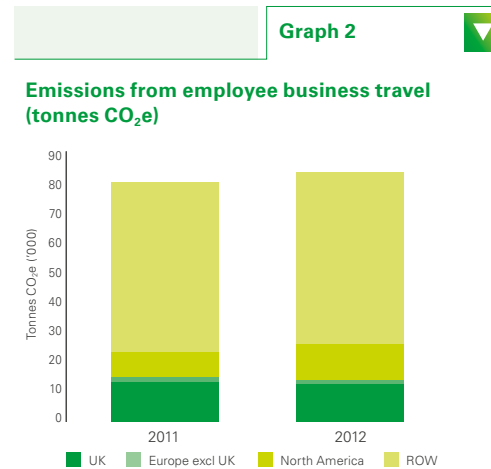
The increase in CO₂ emissions from the 2010 baseline of 131,564 CO₂e for the Rest of the World (ROW) to 205,178 is reflected by our significant growth in Hong Kong and China and the use of heavy machinery such as tunnelling equipment to build new underground mass transit routes.

Overall our intensity is continuing to improve. Our CO₂e emissions/£m turnover dropped from 47.3 tonnes of CO₂/£m to 41.0 tonnes of CO₂/£m.

Our 2015 goal is to achieve a minimum reduction of 20% of our Scope 1 and 2 emissions (against a 2010 baseline). Our 2013–2015 Roadmap also includes a 10% reduction target for the Scope 3 emissions that emanate from our projects and a 20% reduction target for the Scope 3 emissions associated with business travel (both against a 2013 baseline).

These targets will mean reduced lifecycle costs for our clients and reduced operational costs for our businesses. A number of our clients have expressed an intention to prequalify contractors on the basis of their carbon performance in the future so there is a direct commercial incentive.

In connection with the refurbishment of our Head Office in London we have carried out an energy survey and SKA assessment to identify energy efficiency measures for incorporation into the design. Through this we will achieve a SKA Gold rating.



-16%

Absolute total UK Scope 1 and 2 emissions excluding business travel

78/100

Our 2012 Carbon Disclosure Project (CDP) score



Hong Kong's first zero carbon building

Gammon Construction built the first zero carbon building in Hong Kong in just 11 months. The building, developed for the Construction Industry Council, will offset both embodied carbon and operating carbon emissions over its design life by producing more energy than it consumes. As an innovative model for energy neutrality, the building achieved the Grand Award at the Hong Kong Green Building Awards in 2012.



[Read more](#)

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We are driving out waste from all our processes

We work for you

Reusing contaminated material safely and sustainably

Widening the M25 London Orbital Motorway required working in close proximity to six former landfill sites. Some leaching from the landfills had occurred through the clay lining into the surrounding soil.

Following ground investigation, the site was split into zones with separate threshold values. This enabled all of the soil to be reused, with the most contaminated reused in the least sensitive areas and vice versa. This operation won "The best reuse of materials" category at The Brownfields Briefing Awards.

 [Read more](#)



Constructing, refurbishing and demolishing all forms of infrastructure can generate large quantities of waste. Waste disposal costs continue to rise, driven by national policies. Reducing waste can reduce project costs for our clients and meet their desire for their projects to have lower environmental impact.

Albert Ree
 Director of Sustainability Construction Services UK (CSUK) and Sustainability Working Group member

We aim to reduce the waste that we generate and manage waste as a resource. Our vision includes applying closed loop thinking and actively seeking materials with a higher recycled or secondary material content. This reduces non-renewable resource use and helps drive the market for recycled products.

We measure and report our waste by source, namely construction, demolition, excavation, office, manufacturing and depot. We include hazardous, non-hazardous and inert wastes in the waste totals. This is in line with the protocols defined by WRAP.

We are delighted to confirm that we met our 2012 target of a 50% reduction in waste to landfill.

Whilst we have experienced difficulty in measuring the recycled content rate across our entire business in a consistent manner, our confidence in our ability to continue to improve

in this area is reflected in our 2015 minimum target for recycled content of 35%.

In the UK we have consolidated our waste management costs and reporting processes through implementation of a UK-wide agreement with an industry-leading waste management company.

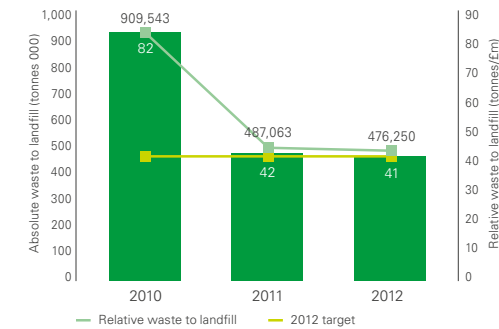
We are providing solutions that simplify the reuse, recycling or recovery of the assets and infrastructure that we create. For example, Balfour Beatty Rail US have been using timber ties (sleepers) treated with the environmentally benign preservative Chemonite, in place of the traditional and more hazardous creosote.

Our modular offsite manufacturing facilities allow us to design and manufacture building components under controlled manufacturing conditions, improving quality, safety and resource efficiency.

During 2012, in partnership with the University of Belfast, we secured funding from the Technology Strategy Board for the development of an intelligent BIM system using early supply chain involvement to predict quantities and sources of waste at design stage, allow for material reuse and recovery, plan offsite construction opportunities, assist waste efficient procurement and provide for planned deconstruction.



Global waste disposed to landfill



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We are developing new tools to reduce water consumption

” Almost half the world’s population will be living in areas of water scarcity by 2030, creating growth opportunities for our water-related services. To support this, we are improving our understanding of water impacts through our water footprinting tools.

Peter Halsall
Global Sustainability Lead, Parsons Brinckerhoff and Sustainability Working Group Member

It has become clear across the globe that water is an undervalued natural resource. It underpins all human and ecosystem activity, so is fundamental to economic activity. However, over-consumption and pollution due to population growth, agricultural and industrial demands, and climate change impacts are creating stress globally. Although it does not currently represent a significant operating cost to us or most of our clients, the need to manage it more effectively will continue to grow. Therefore, reducing water risk and cost exposure for ourselves and for our clients makes good business sense.

Our strategy is to pursue growth opportunities in efficient water distribution, water treatment, and desalination technologies. We will also enhance existing tools and develop innovative approaches

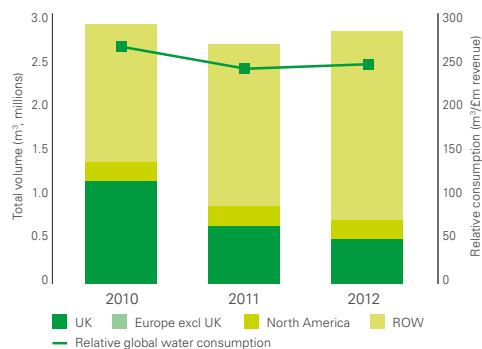
to provide added value to our clients. We aspire to be thought leaders and support development of policies that protect our water sources now and in the future. We see that as an opportunity to make a difference, and to differentiate our business.

Our water footprinting tools are vital to implementing this strategy. We will continue to invest in them to ensure we are leaders in understanding the issues so that we can develop the creative solutions that will be needed. We want to enhance our ability to analyse embodied water in projects and materials, calculate total water footprint and relate water impact to the particular local water situation.

Although our largest impact lies in indirect water use, we need to reduce direct water use in our operations to demonstrate commitment and to ensure we understand the solutions available to our supply chain. In 2012 we installed water efficient fixtures, ran employee awareness campaigns, captured and reused water on project sites, and improved systems to measure water use.

Our direct water consumption trend is generally flat in terms of volume/revenue. However, we believe that the investment we have made this year will be reflected in a reduction in water intensity in 2013.

Global water consumption



-22%

Total direct UK water consumption

+5%

Total direct global water consumption

Water reduction at Heathrow

Water footprinting tools, developed by Parsons Brinckerhoff in 2011, were trialled on London’s Heathrow Airport Terminal 2B project. The tools incorporated the Water Footprint Network’s methodology, which considers both volume and scarcity, to estimate an overall impact of water use.

Through our analysis we found that the indirect (supply chain) volumes were approximately 35 times greater than direct (onsite) volumes. Also, the highest volume construction materials did not yield the highest water impact, owing to very different water intensities of the different materials.



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We are making widespread use of recycled and responsibly sourced materials

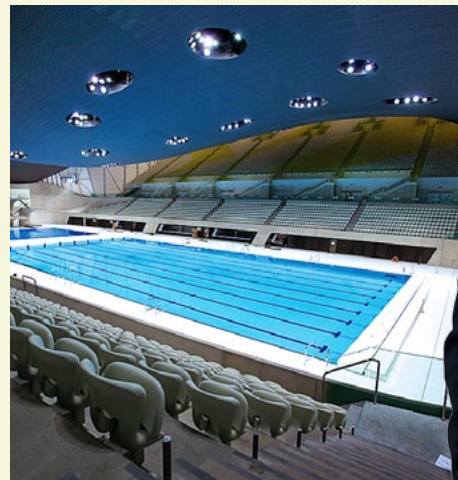
51%
recycled

Olympic Park

On the Olympic Park, Balfour Beatty was the only contractor to reuse recycled aggregates in the permanent works. The project achieved 51% (by weight) recycled content, exceeding the Olympic Delivery Authority's target by more than 100% and saving the project approximately £1 million.

The project received a BREEAM innovation credit for the fair-faced concrete which, in addition to recycled aggregates, used Ground Granulated Blast Furnace Slag (GGBFS) for cement replacement. The covers to the temporary stands made use of phthalate-free PVC.

 [Read more](#)



+5%

Proportion of UK materials with recycled content (expressed as a percentage of 2011 proportion)

+13%

Proportion of major materials, excluding timber, that are responsibly sourced globally

”

Sustainable materials management reduces costs as well as environmental impacts and helps ensure the long term availability of the resources that we will need for our future operations.

Andy Haworth

Supply Chain Director CSUK and Sustainability Working Group member

Being a leader in the responsible sourcing of materials helps differentiate us in the marketplace. The selection of recycled and alternative products in preference to primary materials supports our drive for cost efficiency.

We 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).

In 2010 we extended our data collection systems to track the sourcing of other major construction materials. Responsible sourcing schemes are now available for aggregates, precast concrete and steel products in the UK.

The BRE standard BES 6001:2008 enables construction product manufacturers to ensure and then prove that their products have been made with constituent materials that have been responsibly sourced. BS 8902 covers responsible sourcing sector certification schemes. Such schemes take into account legal requirements, employment, safety, labour rights, community and environmental impacts.

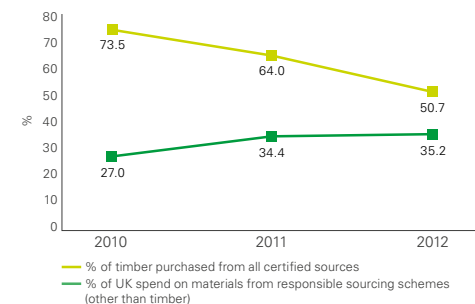
The UK Government set an industry target of 25% of construction materials from responsible sourcing schemes by 2012. This is a target that we exceeded by a margin of 19% in relation to “major materials”, defined as “the main materials (by spend) that the operating business purchases such as steel, cabling, aggregates,

concrete, ballast, plastic, rebar, timber” – see our [Roadmap User Guide](#) for further detail.

Similarly to subcontractors, the sustainable procurement of materials is governed by the Sustainable Procurement Working Group, which oversees the application of the DEFRA Flexible Framework for sustainable procurement. The sustainability credentials of our suppliers are monitored continuously through the prequalification process, ongoing audits and monthly performance measurement KPIs.

Engaging our supply chain to align their thinking with ours on the responsible sourcing of materials is helping us deliver a more sustainable Balfour Beatty.

Responsibly sourced materials – timber and other major construction materials



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We are protecting and enhancing ecological resources



Our people, clients and local communities care about the natural world. We take opportunities to enhance the ecology of our projects beyond legal compliance.

Tracy Browne
Vice-President Sustainability, BBCUS and Sustainability Working Group member

Protecting and enhancing ecological resources creates a legacy for local communities and contributes to our natural world. Balfour Beatty's 2020 vision is to design, construct and maintain its projects and its own estate to enhance the ecology of the local environment.

We will achieve this by assessing the effectiveness of our ecological protection measures on project sites, implementing innovative enhancement measures and sharing knowledge within and outside the Company.

This year we have implemented proven good practice in establishing an understanding of the ecological features of the site before project commencement, reviewing local conservation plans as a basis for ecological improvement and identifying local conservation partners to undertake ecological enhancement and offsetting projects.

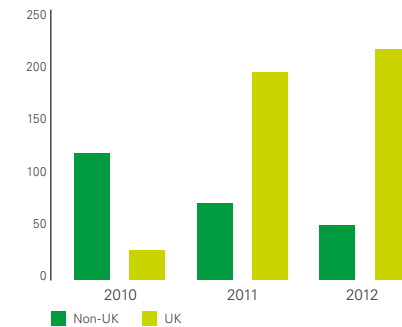
On the £6 billion Thameslink Programme, Chris Britton Consultancy, a Balfour Beatty company, designed and deployed a tool that allocates a score to biodiversity resources based on their distinctiveness and condition of habitat. This allowed us to deliver net gains through offsetting and to demonstrate the quality of those solutions in a transparent way.

Also in 2012 Balfour Beatty Living Places developed an application for tablet PCs to assess the ecology of a project site. Drawing on a database of expert knowledge, the tool analyses multiple choice data alongside construction activity to produce a custom assessment of the ecological sensitivity of the site and appropriate mitigation measures. The tool provides project teams with access to best available knowledge in an efficient and timely way.

Once a project is underway we ensure ecological protection measures are in place and monitor their effectiveness. We have created a library of associated lessons learnt reviews.

The adoption of such approaches on the A46 led to the deployment of 15 purpose-built tunnels for use by small mammals, 98 new bat boxes, 13 new ecology ponds, 600,000 new locally sourced plants and trees and an additional 22 hectares of grassland with wildflowers for insects and butterflies.

Number of active sites achieving ecological enhancement beyond legal compliance



Vineyard Water Treatment

The Vineyard project delivers 50 million gallons of fresh drinking water per day to the northern California region.

Along with the normal challenges in a project of this complexity, the workers also had a neighbour to watch out for – the Swainson's Hawk, listed by the United States Fish and Wildlife Service as a Category 3C species under threat.

The care exercised by the site team paid off as the mating pair returned to their nest and produced hatchlings throughout the duration of the project.

[Read more](#)

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Our Performance

In “Managing Sustainability” and “Healthy Communities” we provided specific practical examples of how we engage with our stakeholders. Here we provide further details of our approach.

In this section we describe how sustainability is governed within Balfour Beatty. We consider the range of stakeholders with whom we communicate and the principal channels that we use. We take a look at our stakeholder panels – our “critical friends”: who they are, what they have said about us this year and in the past, and what we have done about it.

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Governance

Our governance process is represented by the diagram below.



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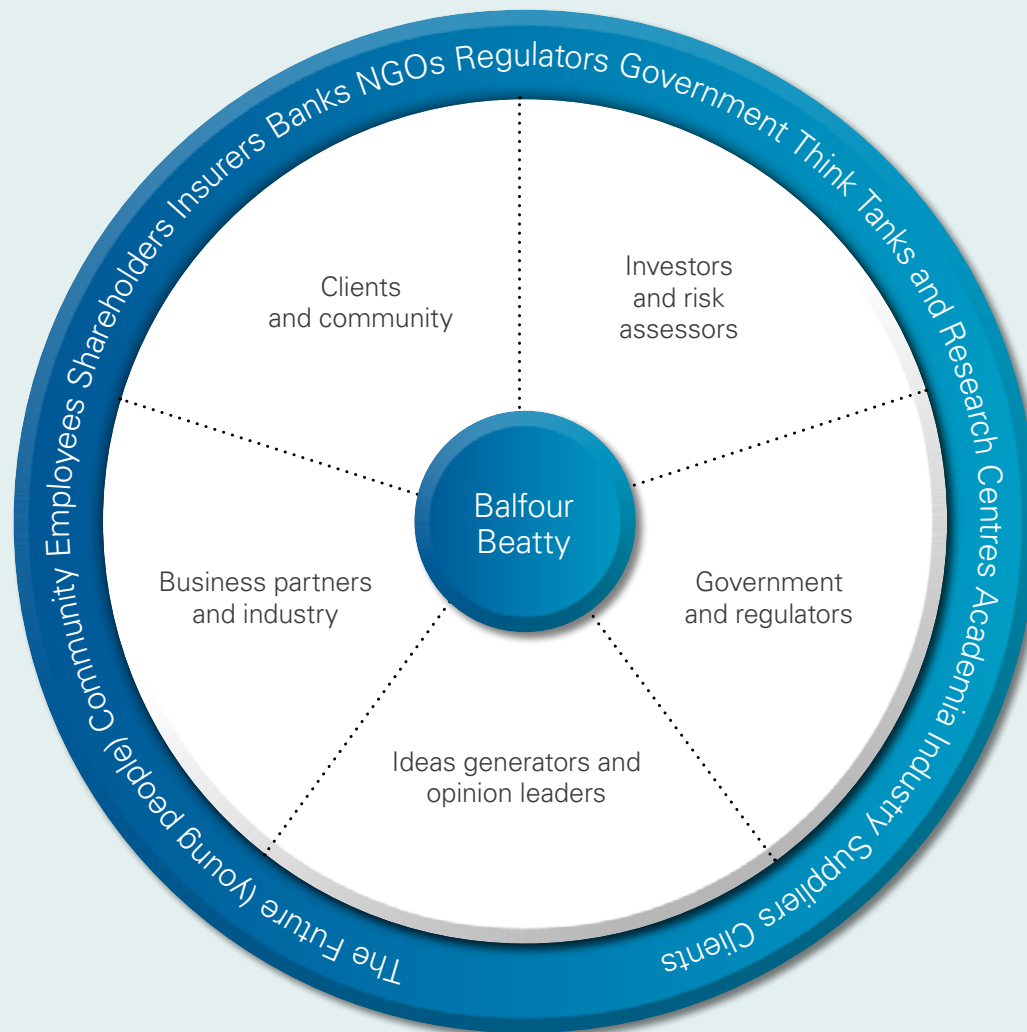
Engaging with our stakeholders

Our stakeholders



Active dialogue and feedback helps us establish an understanding and empathy that is essential to working with and alongside our stakeholders. Their feedback informs our strategy and shapes our implementation.

This is our stakeholder map. Each operating business has a communications plan and our 2015 goal is for all our projects to have a stakeholder engagement plan. Right now 38% of projects have a community engagement plan in place (2011: 6%).



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Engaging with our stakeholders



At all times engagement with our stakeholders is moderated by competition compliance and ethics. For example this year Will Martin of the Environment Agency has stood down from our stakeholder panel because we are tendering for work for the EA.

During the preparation of the 2013–2015 Roadmap we consulted with over 200 staff and 20 clients. The depth and detail of those discussions was gratifying and reflects the understanding that has developed in our business since the inception of the first Roadmap in 2008.

Who we engage with	Why we engage	Principal channels
Stakeholders generally	To obtain independent feedback on our sustainability journey	<ul style="list-style-type: none"> Two stakeholder panels comprised of clients, NGOs, investors and suppliers – see page 25 Discussion page on our website
Clients	To understand our clients' evolving needs, develop enhanced value solutions, and receive feedback on our performance	<ul style="list-style-type: none"> Collaboration with clients to agree project-specific sustainability deliverables The MAP – see page 6 Bespoke client attitude and satisfaction surveys Sustainability dialogue with key accounts
Supply chain	To understand the needs of our suppliers and to involve our supply chain in exceeding client expectations	<ul style="list-style-type: none"> Supplier Code of Conduct Supply Chain Excellence Guide Programme of supplier sustainability workshops "Meet Balfour Beatty" days to inform local suppliers of project opportunities
Communities	To make a lasting positive impact on the communities in which we operate	<ul style="list-style-type: none"> Communication with communities under the Considerate Contractor Scheme Local employment initiatives, including Balfour Beatty Apprenticeships
Employees	To keep our employees informed about the future direction and to recruit their assistance in creating a safe, unified and productive working environment	<ul style="list-style-type: none"> The Roadmap Employee Code of Conduct Annual Graduate Conference Regular employee briefings Regular newsletters, including quarterly sustainability newsletter Sustainable innovation brochure Training courses including sustainability e-learning Employee satisfaction surveys Work winning webinars promoting sustainability
Industry	To positively influence our industry	<ul style="list-style-type: none"> Membership of professional bodies and industry associations, including IEMA, UKCG Environment Group and UK Green Building Council Development and sponsorship of the UK Green Building Council Leadership Network
NGOs	To deliver cost-effective social enterprise solutions and to improve our understanding of sustainability risks	<ul style="list-style-type: none"> Partnerships with NGOs such as Groundwork and Renaisi, with whom we secured the Queen Elizabeth Olympic Park legacy contract Stakeholder panels
Government and regulators	To understand the issues that may impact our business, particularly those that affect our clients and the communities in which we operate	<ul style="list-style-type: none"> Active public affairs programme engaging with UK politicians and US Government Involvement in thought leadership programmes with the UK Green Construction Board, UKCG, UK Green Building Council and DEFRA
Investors	To provide them with the information they need to make well-informed decisions	<ul style="list-style-type: none"> During 2012, senior executives held 185 meetings with investors, brokers and analysts (2011: 220) We also held an investor day in London, a roadshow in Zurich, a site visit to Heathrow Terminal 2B and two conferences for existing and prospective investors

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Stakeholder panel membership

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Expert Stakeholder Panel



For the fifth consecutive year, we have asked an external Expert Stakeholder Panel to review our reporting practices and provide an independent opinion on our sustainability performance. We believe that this approach to engaging with our stakeholders is still unique for our sector.

Name	Job title	Organisation	Years on the panel
Hilary Davidson (panel chair)	Director, Sustainability and Community Affairs	Duke Energy Corporation	3
Victoria Barron	Senior Associate	Hermes Equity Ownership Services	1
Rebeca Esteves	Senior Corporate Adviser	Business in the Community	1
Ian Gearing	Head of Communication Planning, Insight and Reporting	National Grid plc	5
Cat Hirst	STEP Manager	UK-Green Building Council	2
Mark Hopkinson	Head of New Business Team	UNICEF	2
Kegan Lovely	Environmental Manager – Europe and CEEMEA	Bank of America Merrill Lynch	2
Will Martin ¹	Procurement Strategy Manager	Environment Agency	2
Andy Spencer	Sustainability Director – UK Operations	CEMEX	4

¹ Will Martin's membership of the panel has been suspended temporarily due to a conflict of interest.



Hilary Davidson
Panel chair



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Stakeholder panel membership

Next Generation Stakeholder Panel ▾

In 2012 we introduced a Next Generation Stakeholder Panel, which has operated alongside the original expert panel but has produced its own verdict on the trajectory of sustainability in our business. The members of this panel are 25 years of age or under, reflecting the inter-generational nature of sustainability.

Name	Job title	Organisation	Years on the panel
Thomas Whiting (panel chair)	Graduate	Balfour Beatty Utility Solutions	1
Thomas Kitchen-Dunn	Young Ambassador	Prince's Trust	1
Amanda Townsend	Senior Transportation Planner	Parsons Brinckerhoff	1
Laura McAllister	Environmental Consultant	Parsons Brinckerhoff	1
Liam Tyler	Student	Winterhill School, Rotherham	1
Carly Walker-Dawson	Vice-chair (Participation & Development)	British Youth Council	1
Ethan Vernon	Apprentice	National Apprenticeships Service	1
Julia Ziemann	Student	The University of Edinburgh	1



Thomas Whiting
Panel chair



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Expert Stakeholder Panel

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The Balfour Beatty Expert Advisory Panel assembled for a fifth year included a diverse mix of leaders in sustainability from the business, investment, and NGO community.

The goal of the stakeholder panel is to provide an independent perspective on Balfour Beatty's sustainability approach and reporting practices. In alignment with the objectives of the report, this panel evaluated the materiality, clarity, and transparency of the report information.

The intent of this stakeholder panel statement is to provide clear, concise and transparent observations and recommendations on material issues for Balfour Beatty. We hope that this feedback serves to help Balfour Beatty continuously improve its sustainability performance and remain leaders in the construction sector going forward.

Our panel would like to recognise Ian Tyler for his leadership in sustainability, and also provide a warm welcome and challenge to Andrew McNaughton to continue Balfour Beatty's commitment to sustainability, and particularly an increased focus on safety. We look forward to Balfour Beatty's continued progress towards meeting the objectives and targets identified in its 2013–2015 Sustainability Roadmap.

	Observations	Recommendations
Stakeholder engagement	We are very impressed with Balfour Beatty's openness and desire to continuously improve. In particular, we commend them for establishing the next generation panel, and recognise them for their leadership in establishing this leading, innovative practice.	Continue the stakeholder panel and Next Generation Stakeholder Panels. Consider how the views of wider community representatives from across the company's operations could be included in future Panels.
About Balfour Beatty and sustainability	While the conciseness of the report is a significant improvement from past reports, some basic information on the Company, its sustainability journey, and the transition of CEOs as well as Roadmaps is missing and results in some difficulty assessing the information presented in the report. The development of the 2013–2015 Roadmap was a significant accomplishment, and demonstrates Balfour Beatty's continued commitment to drive improvement, and supports our belief that Balfour Beatty is a sector leader. While there is a reference to the Roadmap in the report, the report does not clearly "close out" the performance of the previous Roadmap, nor does it explain why this new Roadmap was developed.	In future reports include basic information on Balfour Beatty (such as its operating companies, geographical distribution, and employee numbers), how material issues are assessed, and how sustainability and the Roadmap are managed. Include a statement by the outgoing and the incoming CEO on Balfour Beatty's past and future commitment to sustainability, and to driving continuous improvement through their framework of clear roadmaps, performance metrics, rigorous data assurance processes, and stakeholder feedback. Include on the Company website associated with this report, a scorecard of the key performance indicators from the previous Roadmap, as well as a statement on the accomplishments and challenges. Explain the new 2013–2015 Roadmap, why it was developed, key focus areas, and the challenges and opportunities ahead.
Data	We are pleased that Balfour Beatty recognises the importance of good data and transparency, as evidenced by commissioning a rigorous assurance process, internal audits as well as feedback from stakeholder panels. Deficiencies were identified through the assurance process that will need to be addressed going forward. The stakeholder panel identified a number of issues with the presentation of data in the report including: inconsistent scope of data (eg UK, US, global), lack of clarity on the data trends, and a skewed view of performance in the Performance at a Glance section (mostly the good performance mixed with good stories.)	For next year's report, we would like to see continued use of a rigorous assurance process, progress on identified deficiencies and a clearer, more consistent and balanced description of performance and trends.
Influencing and innovating in sustainability	We understand that influencing and innovating in sustainability is a focus for Balfour Beatty, and we recognise the significant progress in employee training and client engagement, but the report does not reflect it as strongly as it could.	In next year's report, clearly articulate how Balfour Beatty is influencing clients and suppliers to improve sustainability practices and outcomes. This could include descriptions of unique products and services that Balfour Beatty has developed. Expand the description of the innovative supplier Dragon's Den programme to better convey scope and scale, and share this as a best practice.

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Stakeholder panel statements 2012

Expert Stakeholder Panel



	Observations	Recommendations
Ethics	The report does not address Balfour Beatty's policies with regard to the ethical treatment of children. The panel feels that this is a key missing factor to be addressed in their next report. It is to be noted this was raised last year also.	In next year's report, include a statement on Balfour Beatty's policies regarding ethical treatment of children (eg within the supply chain or community sections of the report).
Safety	While excellent practices exist for focusing on safety (such as the Global Stand Down Day, and including all contractors in the safety metrics, and root cause analysis), safety performance is still off target.	Provide more detail on what is being done to improve safety. In the year ahead, focus on improving the safety culture and performance, with strong executive leadership. Consider including safety in executive performance incentive plans.
Diversity	While the addition of a woman Board member is a step in the right direction, overall diversity in terms of gender and ethnicity is still weak.	Continue to report on, and improve, diversity for employees, Board members and suppliers. Include ethnicity in metrics (beyond just women).
Healthy communities	While there are a number of excellent community engagement stories, it is unclear how they fit into an overall community strategy tied to material issues for the Company. Community engagement activity appears to be focused on only a few of the countries in which the Company operates.	Going forward, develop a more robust definition of healthy communities to include people, supply chain, community relations and investment. And, develop a more robust strategy that clearly outlines the social issues that are most relevant to the business and the communities in which it operates. Work to diversify community investments beyond the UK, South Africa and the US.
Employees	The employee section of the report appears to focus mostly on employee development and not on wider work-life balance considerations.	In future reports include more information on the Company's well-being programme.
Environmental limits	Energy, greenhouse gas emissions, and waste are top issues identified in the materiality matrix, and progress was made, with an acknowledgement that more work lies ahead, especially where the assurance process identified data uncertainties. It is disappointing that more progress has not been made in reporting scope 3 emissions despite this being a recurring theme for previous stakeholder panels.	While continuing focus on scope 1 and 2 GHG emissions, energy and waste is critical, a stronger focus on scope 3 GHG emissions and water in the years ahead will be important and is recommended.

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Stakeholder panel statements 2012

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Next Generation Stakeholder Panel 

Overview

The formation of a Next Generation Stakeholder Panel is an innovative idea. The panel recognises the forward thinking of Balfour Beatty in giving us, the next generation, the rare chance to review and critique what Balfour Beatty is doing on its Roadmap to Sustainability.

We wanted to see transparency in the report. This expectation has been met by presenting to the panel the positive and negative findings – where targets have been met and where they have fallen short of the high standards we expect. The panel is pleased that the strengths and recommendations from the detailed audit by KPMG were shared and the data issues brought to light were resolved where possible and remaining uncertainties were highlighted. Further to Ian Tyler’s statement we look forward to seeing how Balfour Beatty will try to remove the inconsistencies found by the internal audit in North America over the coming year. It is only from being clear that we can build on what has been achieved so far.

The panel is united in believing that sustainability should be embedded into every aspect of Balfour Beatty. We believe that this vision is achievable. As this report demonstrates, there are excellent examples of sustainability implemented in the Group’s projects and practices, such as Hong Kong’s first Zero Carbon Building, and the higher than sector average female graduate recruitments.

	Observations	Recommendations
Safety Stand Down Day	The Safety Stand Down Day in June 2012 was a great achievement in demonstrating how important safety is to Balfour Beatty. Furthermore, by involving the supply chain, joint venture partners and clients, Balfour Beatty can share best practice, innovative ideas and ensure the ethos and culture of the Group is communicated to all.	Can the Safety Stand Down Day become an annual event and be expanded to include sustainability? The panel feels this proactive approach would help improve the safety and sustainability culture. Continuing to invite supply chain, joint venture partners and clients would ensure the Group values are communicated and best practice is shared. If one life is saved or if it leads to an improved sustainable culture, it would be a success.
Investing in communities	Balfour Beatty employees continue to get involved and accomplish amazing achievements for charitable causes and community engagement across the globe. The focus on youth and disadvantage illustrates a real commitment to our future generations.	Building on Project HOME in Philadelphia, which funds school programmes for children of destitute families is a type of initiative recommended to be encouraged, in schools constructed by Balfour Beatty. Promoting Science, Technology, Engineering and Mathematics (STEM subjects) as well as apprenticeships and training options is another way of reaching out to the next generation. Can we promote a sustainability ethos to our communities from the projects that we deliver, and more importantly, communicate all of these innovative ideas across the Group?
Managing our water consumption	The development of water footprinting tools by Parsons Brinckerhoff is a clear step towards managing water use sustainably. Water will become a priority resource in the near future and Balfour Beatty should explore the area of solutions addressing the goals of reduced consumption, effective drainage and improved water quality. Furthermore, the data indicates that whilst the UK is reducing its water consumption in projects, the rest of the world is actually increasing its usage.	Now that the Group has the tools to measure water consumption we would like to see a real drive in 2013 to using these tools to develop real methods and best practice to reduce our water usage in delivering our projects. These methods should strive to be applicable to smaller projects, whose cumulative use remains significant. Entering the groundwater drainage and exploitation of this part of the industry is recommended. The available solutions can ensure effective water usage and recycling. This may become another sustainable standard to the Group’s projects.
Reducing waste	Balfour Beatty performed well in 2011 by meeting landfill targets set by WRAP to reduce the waste to landfill by 50%. However, the weight of waste sent to landfill has remained unchanged since this point. Our question to Balfour Beatty Group is – can it go above and beyond stipulated expectations? Given the successes achieved in this area, the panel believes that further reductions are certainly achievable.	In light of progress made using BIM systems to reuse material in construction projects and the recycling targets, an annual target is recommended for waste reduction which would result in a continual decline and prevent stagnant years such as 2012. Alternatively a statement of progress for Balfour Beatty’s 2015 targets would allow for reassessment if targets are to be met at an earlier than anticipated stage.

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Next Generation Stakeholder Panel 

The next step is to use Group innovation to effectively **communicate** and **share** best practice; indeed our recommendations below have a running theme of communicating best practice across the globe and between all operating companies. By doing this Balfour Beatty can develop a culture of sustainability within the business and build on current successes. The panel would also like to highlight that the internal and external audits should be continued, to ensure that the data is precise and deployments by the Group are captured.

We would like to take this opportunity to express our thanks for being asked to review the Sustainability Report 2012. We have endeavoured to conduct a review that illustrates our commitment towards a sustainable future and make recommendations that we wholeheartedly believe will support Balfour Beatty's Roadmap to Sustainability and make it an industry leader.

As representatives of the future leaders in Balfour Beatty's various stakeholder groups, it is essential that we have an input into the decisions made now, to protect our future and the future of younger generations. We trust that this panel will always continue to meet and make a significant contribution to the Group on its path to sustainability.

	Observations	Recommendations
Valuing diversity	It is encouraging to see that the graduate intake of women and ethnic minorities in the UK has been growing and that Balfour Beatty employs more women than the sector average.	Balfour Beatty must continue to aim for even higher diversity in the workplace in the UK. And can the same level of commitment be demonstrated across the world?
Sourcing responsibly	In the UK, the percentage of spend on materials from responsible sourcing schemes has increased from 27.0 in 2010 to 35.2 in 2012. This came in response to UK Government industry targets, which Balfour Beatty more than exceeded in relation the major materials.	Opportunities should be sought for adopting an increasing UK standard on a global basis, endeavouring to be market leaders on ensuring the long term availability of the resources we need.
Internal greenhouse gas emissions	Between 2011 and 2012, emissions from employee business travel increased, particularly outside of the UK and Europe. Given the advances in technology and the wealth of communication tools available to us all, we firmly believe that emissions from employees should be decreasing, not increasing.	In 2013, the panel is keen to see programmed efforts to raise awareness on this issue and more closely regulate business travel. Does that conversation really need to be made face-to-face? Can that journey be made by rail, rather than car? Can we attend two meetings in one trip, rather than arranging two separate trips? All Balfour Beatty staff should be encouraged to think about these questions and make them routine in day-to-day business.

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Balfour Beatty response to 2012 stakeholder panel statements

Expert Stakeholder Panel

The following table summarises the action we are taking on the observations made by the Expert Stakeholder Panel on our 2012 report.

	Observations	Recommendations	Balfour Beatty response
Stakeholder engagement	We are very impressed with Balfour Beatty’s openness and desire to continuously improve. In particular, we commend them for establishing the next generation panel, and recognise them for their leadership in establishing this leading, innovative practice.	Continue the stakeholder panel and Next Generation Stakeholder Panels. Consider how the views of wider community representatives from across the company’s operations could be included in future Panels.	Next year will see several new members introduced to both panels and we will take the opportunity to involve a wider range of community representatives.
About Balfour Beatty and sustainability	While the conciseness of the report is a significant improvement from past reports, some basic information on the Company, its sustainability journey, and the transition of CEOs as well as Roadmaps is missing and results in some difficulty assessing the information presented in the report. The development of the 2013–2015 Roadmap was a significant accomplishment, and demonstrates Balfour Beatty’s continued commitment to drive improvement, and supports our belief that Balfour Beatty is a sector leader. While there is a reference to the Roadmap in the report, the report does not clearly “close out” the performance of the previous Roadmap, nor does it explain why this new Roadmap was developed.	In future reports include basic information on Balfour Beatty (such as its operating companies, geographical distribution, and employee numbers), how material issues are assessed, and how sustainability and the Roadmap are managed. Include a statement by the outgoing and the incoming CEO on Balfour Beatty’s past and future commitment to sustainability, and to driving continuous improvement through their framework of clear roadmaps, performance metrics, rigorous data assurance processes, and stakeholder feedback. Include on the Company website associated with this report, a scorecard of the key performance indicators from the previous Roadmap, as well as a statement on the accomplishments and challenges. Explain the new 2013–2015 Roadmap, why it was developed, key focus areas, and the challenges and opportunities ahead.	Following the stakeholder panel meeting, we included a scorecard of the various indicators associated with the 2009–2012 Roadmap in this report page 32. Our 2013 report will include a statement by Andrew McNaughton, the incoming chief executive.

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	Observations	Recommendations	Balfour Beatty response
Data	<p>We are pleased that Balfour Beatty recognises the importance of good data and transparency, as evidenced by commissioning a rigorous assurance process, internal audits as well as feedback from stakeholder panels. Deficiencies were identified through the assurance process that will need to be addressed going forward.</p> <p>The stakeholder panel identified a number of issues with the presentation of data in the report including: inconsistent scope of data (eg UK, US, global), lack of clarity on the data trends, and a skewed view of performance in the Performance at a Glance section (mostly the good performance mixed with good stories.)</p>	<p>For next year’s report, we would like to see continued use of a rigorous assurance process, progress on identified deficiencies and a clearer, more consistent and balanced description of performance and trends.</p>	<p>Next year we hope to extend KPMG’s data assurance to a wider range of indicators.</p>
Influencing and innovating in sustainability	<p>We understand that influencing and innovating in sustainability is a focus for Balfour Beatty, and we recognise the significant progress in employee training and client engagement, but the report does not reflect it as strongly as it could.</p>	<p>In next year’s report, clearly articulate how Balfour Beatty is influencing clients and suppliers to improve sustainability practices and outcomes. This could include descriptions of unique products and services that Balfour Beatty has developed.</p> <p>Expand the description of the innovative supplier Dragon’s Den programme to better convey scope and scale, and share this as a best practice.</p>	<p>We will work at developing case studies on influencing clients and suppliers during the coming year.</p>
Ethics	<p>The report does not address Balfour Beatty’s policies with regard to the ethical treatment of children. The panel feels that this is a key missing factor to be addressed in their next report. It is to be noted this was raised last year also.</p>	<p>In next year’s report, include a statement on Balfour Beatty’s policies regarding ethical treatment of children (eg within the supply chain or community sections of the report).</p>	<p>Following the stakeholder panel meeting we identified the ethical treatment of children as a specific risk within the Group’s risk register.</p> <p>We will report on progress on our progress in managing the risk in next year’s report.</p>

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	Observations	Recommendations	Balfour Beatty response
Safety	While excellent practices exist for focusing on safety (such as the Global Stand Down Day, and including all contractors in the safety metrics, and root cause analysis), safety performance is still off target.	Provide more detail on what is being done to improve safety. In the year ahead, focus on improving the safety culture and performance, with strong executive leadership. Consider including safety in executive performance incentive plans.	We have established a new strategy setting out specific H&S expectations for 2013, 2015 and 2017. Balfour Beatty organisations will be implementing this from Q2 of this year. Additionally, we have identified nine focus areas where we are making the elimination of fatal risk a priority in 2013.
Diversity	While the addition of a woman Board member is a step in the right direction, overall diversity in terms of gender and ethnicity is still weak.	Continue to report on, and improve, diversity for employees, Board members and suppliers. Include ethnicity in metrics (beyond just women).	At the end of 2012 every division of Balfour Beatty set diversity targets, as required by the 2013–2015 Roadmap. We will report to the stakeholder panel against these at the end of 2013.
Healthy communities	While there are a number of excellent community engagement stories, it is unclear how they fit into an overall community strategy tied to material issues for the Company. Community engagement activity appears to be focused on only a few of the countries in which the Company operates.	Going forward, develop a more robust definition of healthy communities to include people, supply chain, community relations and investment. And, develop a more robust strategy that clearly outlines the social issues that are most relevant to the business and the communities in which it operates. Work to diversify community investments beyond the UK, South Africa and the US.	During 2013 we plan to develop a Social Performance Prospectus that will set out our community engagement policy and objectives more clearly.
Employees	The employee section of the report appears to focus mostly on employee development and not on wider work-life balance considerations.	In future reports include more information on the Company’s well-being programme.	We do not have a consistent well-being programme across the whole of the business. Because of cultural differences between our geographies we don’t believe it is feasible to introduce a single well-being programme.
Environmental limits	Energy, greenhouse gas emissions, and waste are top issues identified in the materiality matrix, and progress was made, with an acknowledgement that more work lies ahead, especially where the assurance process identified data uncertainties. It is disappointing that more progress has not been made in reporting scope 3 emissions despite this being a recurring theme for previous stakeholder panels.	While continuing focus on scope 1 and 2 GHG emissions, energy and waste is critical, a stronger focus on scope 3 GHG emissions and water in the years ahead will be important and is recommended.	Scope 3 emissions are part of the 2013–2015 Roadmap. We are considering how we should treat water, as the Company works across geographies where water stress varies widely.

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Next Generation Stakeholder Panel 

The following table summarises the action we are taking on the observations made by the Next Generation Stakeholder Panel on our 2012 report.

	Observations	Recommendations	Balfour Beatty response
Safety Stand Down Day	The Safety Stand Down Day in June 2012 was a great achievement in demonstrating how important safety is to Balfour Beatty. Furthermore, by involving the supply chain, joint venture partners and clients, Balfour Beatty can share best practice, innovative ideas and ensure the ethos and culture of the Group is communicated to all.	Can the Safety Stand Down Day become an annual event and be expanded to include sustainability? The panel feels this proactive approach would help improve the safety and sustainability culture. Continuing to invite supply chain, joint venture partners and clients would ensure the Group values are communicated and best practice is shared. If one life is saved or if it leads to an improved sustainable culture, it would be a success.	The Safety Stand Down Day is one facet of the effort that we made to improve our safety culture in 2012. We will be considering its effectiveness when assembling our toolkit for further culture change in 2013. The equivalent of the Safety Stand Down Day for sustainability is Sustainability Month, which, in response to last year's stakeholder panel statement, we are repeating in 2013.
Investing in communities	Balfour Beatty employees continue to get involved and accomplish amazing achievements for charitable causes and community engagement across the globe. The focus on youth and disadvantage illustrates a real commitment to our future generations.	Building on Project HOME in Philadelphia, which funds school programmes for children of destitute families is a type of initiative recommended to be encouraged, in schools constructed by Balfour Beatty. Promoting Science, Technology, Engineering and Mathematics (STEM subjects) as well as apprenticeships and training options is another way of reaching out to the next generation. Can we promote a sustainability ethos to our communities from the projects that we deliver, and more importantly, communicate all of these innovative ideas across the Group?	In connection with the new Roadmap every project is required to develop a Community Engagement Plan. We will be developing case studies on project HOME and on promotional efforts in connection with STEM in order to inform such plans.
Managing our water consumption	The development of water footprinting tools by Parsons Brinckerhoff is a clear step towards managing water use sustainably. Water will become a priority resource in the near future and Balfour Beatty should explore the area of solutions addressing the goals of reduced consumption, effective drainage and improved water quality. Furthermore, the data indicates that whilst the UK is reducing its water consumption in projects, the rest of the world is actually increasing its usage.	Now that the Group has the tools to measure water consumption we would like to see a real drive in 2013 to using these tools to develop real methods and best practice to reduce our water usage in delivering our projects. These methods should strive to be applicable to smaller projects, whose cumulative use remains significant. Entering the groundwater drainage and exploitation of this part of the industry is recommended. The available solutions can ensure effective water usage and recycling. This may become another sustainable standard to the Group's projects.	The Parsons Brinckerhoff water footprinting tool will be promoted internally using our 360 intranet this year. The deployment of such tools on smaller projects remains challenging, as the economics often militate against it.

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Balfour Beatty response to 2012 stakeholder panel statements

Next Generation Stakeholder Panel 

	Observations	Recommendations	Balfour Beatty response
Reducing waste	<p>Balfour Beatty performed well in 2011 by meeting landfill targets set by WRAP to reduce the waste to landfill by 50%.</p> <p>However, the weight of waste sent to landfill has remained unchanged since this point. Our question to Balfour Beatty Group is – can it go above and beyond stipulated expectations? Given the successes achieved in this area, the panel believes that further reductions are certainly achievable.</p>	<p>In light of progress made using BIM systems to reuse material in construction projects and the recycling targets, an annual target is recommended for waste reduction which would result in a continual decline and prevent stagnant years such as 2012. Alternatively a statement of progress for Balfour Beatty’s 2015 targets would allow for reassessment if targets are to be met at an earlier than anticipated stage.</p>	<p>This is a point well made. From next year we will report against individual targets annually and adjust the 2015 target if it becomes apparent that it was too readily achievable when originally set.</p>
Valuing diversity	<p>It is encouraging to see that the graduate intake of women and ethnic minorities in the UK has been growing and that Balfour Beatty employs more women than the sector average.</p>	<p>Balfour Beatty must continue to aim for even higher diversity in the workplace in the UK. And can the same level of commitment be demonstrated across the world?</p>	<p>At the end of 2012 every division of Balfour Beatty set diversity targets, as required by the 2013–2015 Roadmap. We will report to the stakeholder panel against these at the end of 2013.</p>
Sourcing responsibly	<p>In the UK, the percentage of spend on materials from responsible sourcing schemes has increased from 27.0 in 2010 to 35.2 in 2012. This came in response to UK Government industry targets, which Balfour Beatty more than exceeded in relation the major materials.</p>	<p>Opportunities should be sought for adopting an increasing UK standard on a global basis, endeavouring to be market leaders on ensuring the long term availability of the resources we need.</p>	<p>This is challenging in that the market for responsibly sourced timber, which is driven by legislation in the EU, is by no means as well developed in the US.</p>
Internal GHG emissions	<p>Between 2011 and 2012, emissions from employee business travel increased, particularly outside of the UK and Europe. Given the advances in technology and the wealth of communication tools available to us all, we firmly believe that emissions from employees should be decreasing, not increasing.</p>	<p>In 2013, the panel is keen to see programmed efforts to raise awareness on this issue and more closely regulate business travel. Does that conversation really need to be made face-to-face? Can that journey be made by rail, rather than car? Can we attend two meetings in one trip, rather than arranging two separate trips? All Balfour Beatty staff should be encouraged to think about these questions and make them routine in day-to-day business.</p>	<p>Personal carbon footprinting will be one of the themes of the 2013 Sustainability Month. We will report on the impact of the initiatives established during Sustainability Month in our 2013 report.</p>

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Balfour Beatty response to 2011 stakeholder panel statements

The following table summarises the action we have taken on the observations made by the Expert Stakeholder Panel on our 2011 report.

-  Completed
-  In progress
-  Limited/no progress

	What we said we would do in 2012	Our progress in 2012	Plans for 2013	Status
SMART objectives and targets for 2012	We are currently working on SMART objectives for 2015 as part of the refresh of our Roadmap and will seek stakeholder feedback before finalising them later this year.	Consultation for the new Roadmap involved 200 staff and 20 clients and NGOs. We launched the new 2015 Roadmap and User Guide in October 2012. All targets now have performance indicators and we have developed a self-assessment template to benchmark performance across the operating businesses.	We will continue to monitor performance across the operating businesses.	
New projects with agreed sustainability objectives	We will offer sustainability options to all our clients.	The new Roadmap includes performance indicators for "Percentage of projects by number where we have formally confirmed the sustainability objectives with the client" and "Percentage of bids incorporating core sustainability offering".	We will continue to monitor performance across the operating businesses – our 2015 objective is for us to agree sustainability objectives with the client on 100% of projects.	
Reporting of health and safety performance	Continue to make Zero Harm a fundamental part of the way we deliver our business.	We held a Global Stand Down when everyone in Balfour Beatty downed tools for an afternoon to reflect on our H&S performance and work on new approaches to improving it.	During 2013 we will be setting clear health and safety expectations for all of our businesses, demanding the highest level of personal accountability for safety and delivering a set of Global Health & Safety Principles that will provide a consistent approach to risk elimination.	
Stakeholder feedback the starting point for 2012 report	Consult with our stakeholders on the 2013–2015 Roadmap.	We consulted with 200 staff and 20 clients and NGOs during development of the Roadmap. The summary panel statements appear at the beginning of this year's report.	Not applicable.	
Improve clarity of targets	Our Roadmap, when it was created in 2009, was developed with a mix of quantitative targets and process based measures. We have gained a great deal of experience since then which has helped us to develop an improved set of KPIs for a number of areas of the refreshed Roadmap for 2015.	We launched the new 2015 Roadmap and User Guide in October 2012. All targets now have performance indicators and we have developed a self-assessment template to benchmark performance across the operating businesses.	We will continue to monitor performance across the operating businesses.	

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-  Completed
-  In progress
-  Limited/no progress

	What we said we would do in 2012	Our progress in 2012	Plans for 2013	Status
Financial benefits and human elements in case studies	We will examine how best we can capture and communicate information on the financial improvements a more sustainable offering can bring to customers, highlighting what's in it for them.	Many of the 100+ sustainability case studies that we developed during the year included details of financial benefits. All of the case studies that we provided to the Green Construction Board website during the year included financial information.	We will aim for 100% of 2013's batch of case studies to include the financial benefits of sustainable thinking, where such benefits are quantifiable.	
Focus on the essential things that will make the most difference	We will revisit this aspect of our reporting next year.	We ran a materiality study with our stakeholders, facilitated by Loop Initiatives, in connection with our 2012 report and 2013 self-assessment tool.	We will deploy the weighting from the study in the assessment programme in 2013 and beyond.	
Sustainability across the project lifecycle and in procurement	Our 2015 refresh of the Roadmap will emphasise project lifecycle impacts and collaboration with our supply chain partners on reporting impacts and the delivery of sustainability improvements.	Relevant performance indicators within the new Roadmap include 1.1B Alliances for sustainable solutions, 2.8 A-D Supply chain engagement, 3.4 Waste over the lifecycle, and 3.8 Materials lifecycle.	We will monitor performance across the operating businesses.	
Governance of sustainability	Information is already provided in the report on our internal governance arrangements on sustainability and the sharing of good practice between businesses.	This practice continues in this year's report.	Not applicable.	
Assess diversity and representativeness of the stakeholder panel	The 2011 panel is the most diverse we have had to date, representing customers in our major UK and US markets, an investor, supplier, trade body and third sector organisations. We will explore options for further enhancing the diversity of organisations contributing to the panel.	We have introduced the Next Generation Stakeholder Panel, which has both increased the age range of panel members and has introduced new organisations including the British Youth Council, National Apprenticeships Service, Edinburgh University and the Prince's Trust.	We will continue to monitor the diversity of our panels and make appropriate further revisions over time.	
Community investment reporting	We acknowledge that improvements can be made in the reporting of our community investment practices, alignment with business objectives and KPIs. We will examine how best this can be achieved over the coming year.	We are pioneering an approach to measuring social impacts with SSE on the Beaulieu Denny project.	The Community Engagement Working Group within Balfour Beatty will become a subgroup of the Sustainability Working Group and we will produce a community engagement prospectus for the business.	

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Balfour Beatty response to 2010 stakeholder panel statements

The following table summarises progress against the actions that were incomplete at April 2011.

-  Completed
-  In progress
-  Limited/no progress

	What we said we would do in 2012	Our progress in 2012	Plans for 2013	Status
Clear objectives for 2015	Complete the new Roadmap before the end of 2012.	We launched the new 2015 Roadmap and User Guide in October 2012. All performance indicators now have targets and we have developed a self-assessment template to benchmark performance across the operating businesses.	We will continue to monitor performance across the operating businesses.	
Sharing best practice	Continue to share best practice.	We launched a Sustainability site on "360" (our new global intranet), ran a knowledge sharing workshop and monthly work winning webinars for all sustainability practitioners, and produced and shared over 100 case studies.	We will continue with such initiatives.	
Reporting of community engagement, diversity and employee well-being	Report further progress on well-being in the 2012 report.	See the section of this year's report entitled "Operating safely".	Reinforce the well-being element of the report.	
Data on scope 3 carbon and waste	We will review scope 3 carbon during the refresh of the Roadmap and will extend its measurement and reporting as a minimum expectation for our businesses.	The new Roadmap includes a KPI "Scope 3 tonnes CO ₂ e/£m revenue where we have an influence (against a 2013 baseline)".	We will monitor performance across the operating businesses.	
Link sustainability performance to management remuneration	Following review, it was agreed to continue to use financial measures only for executive incentive schemes.	The new Roadmap requires that responsibility for delivering each KPI is allocated to a Board Director of the operating business.	We will start measuring the percentage of Roadmap PIs for which Board Director responsibility has been allocated.	
Reporting of targets and KPIs	The link between KPIs and targets will be examined in more detail in 2012 during the development of new targets for 2015.	We launched the new 2015 Roadmap and User Guide in October 2012. All performance indicators now have targets and we have developed a self-assessment template to benchmark performance across the operating businesses.	We will continue to monitor performance across the operating businesses.	

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Report profile

This is our 12th annual sustainability report and covers our worldwide operations for the 12 months ending 31 December 2012 with the exceptions noted below. Our approach and management systems cover our global activities and we report on incidents and penalties on a global basis.

Report scope and boundary

In particular:

- We collate safety data for all of our wholly owned activities and for those joint ventures where we have management control.
- Subcontractor 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).
- We report on employee data for all our wholly owned businesses worldwide. Where possible we refer to the people who 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 project or site based).
- Non-safety related people data (such as diversity and appraisals) is collected for wholly owned operating companies only.

Detailed guidance is provided to operating companies on the reporting of sustainability related data to Group for use in this report. During 2012, our only acquisition was Subsurface Group Inc – see disclosure note on acquisitions in the Annual Report and Accounts 2012. This business is excluded from this year’s sustainability reporting. It will report next year, in line with our policy for new businesses to report after a full financial year in the Company.

Additionally, Balfour Beatty Investments does not report on the following indicators: SUS.4.10 Adaptation to Climate Change, SUS.6.2 Indirect Water Use, SUS 3.2 Optimising Supplier Relationships, SUS 7.2 Responsible Sourcing of Timber and SUS 8 Ecology.

Data measurement techniques

The [User Guide](#) to our Sustainability Roadmap can be found online.

Inherent data uncertainty

Our commitment to transparency and clarity has led us to increase the use of assurance of our sustainability data this year. We have engaged KPMG and our own internal audit function to challenge our data. This has helped us identify opportunities for improvement, particularly in some of our North American businesses where there are potential errors in our data which makes it difficult to know how accurate it is. We are working to improve the quality of all of our data over the next year. Until then, we have chosen to report the data from our North American businesses separately and, in the case of GHG emissions from Parsons Brinckerhoff in the US, exclude it entirely. We will do this until the quality of this data is more reliable.

Global Reporting Initiative

Balfour Beatty’s 2012 Sustainability Report has been self-assessed at Level A against the GRI3.1 reporting framework. Contained in 2012 Annual Report and Accounts (ARA) are a number of the GRI criteria relating to strategy, economic reporting and governance, including the latest Construction and Real Estate Supplement.

Feedback

Feedback on this report is welcomed and should be addressed to sustainability@balfourbeatty.com. Readers are also encouraged to get involved in the sustainability debate and share their views on the sustainability section of our website.

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Materiality analysis

In 2012, we undertook a comprehensive materiality analysis to identify our most significant sustainability impacts and prioritise them in our reporting.

Materiality analysis

Impacts with current significance

The analysis reveals that energy, waste, health and safety, greenhouse gas emissions, project sustainability and financial performance are our six most material impacts and they are our biggest opportunities to excel. At the same time, they also represent our most pressing challenges. Our stakeholders have called on us to improve our resource efficiency, care for our team and provide outstanding value to our clients and shareholders. As such, these topics are covered in depth in this report.

While our most material impacts remain fairly consistent with our 2009 materiality analysis, we note a new focus on our responsibility to bring more sustainable projects to market. Our Sustainability Roadmap 2013–2015 responds to this challenge by setting forth a series of strategies for Balfour Beatty to lead the market in integrated sustainability solutions.

Impacts with future significance

In addition, the analysis provides insight into several rising trends with longer term importance. Biodiversity, water, energy and local community impacts are all deemed likely to increase in significance by the year 2020. We believe these impacts reflect broader sustainability trends such as mounting pressures from climate change, the rise in water stress and scarcity, and the decline in global biodiversity. Building from the strategies contained in our Sustainability Roadmap 2013-2015, we are starting to proactively address these impacts now and share best practice as they mature into material impacts.

Materiality matrix



● Environmental impacts
 ● Business impacts
 ● Societal impacts

Note: Four materiality thresholds delineate five distinct impact categories

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Materiality analysis

In 2012, we undertook a comprehensive materiality analysis to identify our most significant sustainability impacts and prioritise them in our reporting.

Materiality analysis methodology



We compiled a preliminary list of impacts, drawing from research conducted on industry standards and best practices, media coverage, peer sustainability disclosure and investment rating agencies. We then refined the list and presented it to our stakeholders to solicit their input on the materiality of the impacts. Members of our Sustainability Working Group – comprised of senior executives with direct responsibility for sustainability, and external stakeholders including customers, investors, suppliers, youth, and non-profit organisations – participated in a series of interviews and panel sessions.

Participants ranked the relative significance of the impacts and added impacts that they considered significant. Lastly, they identified impacts that are likely to increase in significance in the future (2020). Using the average rankings, we constructed the materiality matrix along with thresholds to delineate priorities.

Impact definitions

The impact definitions used in the analysis are set down opposite.

Name	Definitions
Greenhouse gas emissions	Direct and indirect emissions that cause global warming, such as carbon dioxide.
Energy	Direct and indirect energy consumption, as well as conservation and efficiency initiatives.
Water	Water use, including the volume of water withdrawn, discharged and reused/recycled.
Biodiversity	Ecological management practices, including measures to assess, protect and restore habitats.
Materials use	Resource inputs, including raw materials, hazardous materials, and reused/recycled content.
Waste	Garbage and debris production, including disposal methods.
Land use practices	Conduct in locations where Balfour Beatty operates, including land degradation and remediation practices.
Governance	Sustainability strategy, oversight and practices.
Financial performance	Organisational growth and viability.
Market leadership	Actions taken to create a low carbon, resource efficient and inclusive economy, including participation in public policy discourse, industry associations and other multistakeholder initiatives.
Supply chain sustainability	Supplier alignment with Balfour Beatty's sustainability policies, including sustainability assessments, audits and scorecards.
Project sustainability	Projects brought to market with integrated sustainable solutions.
Value added to society	Quality of life improvements to end-users thanks to Balfour Beatty's products and services.
Health and safety	Injury and fatality prevention, including controlling risks for employees, contractors, subcontractors, the general public and end-users.
Employee diversity	Workforce representation (according to gender, age group, minority group and other indicators of diversity), pay equity and anti-discrimination practices.
Local community	Community engagement, impact assessments, and development programmes designed to enrich local communities and to prevent negative impacts.
Training and education	Employee training, skills development, lifelong learning and career growth.
Business ethics	Adherence to regulations, internationally agreed standards, codes of conduct, and principles.
Labour practices	Relations with contractors and subcontractors, including measures to promote fair work practices and eliminate abuses.

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For definitions, please see the [User Guide](#).

ISO 14001

Region	2012	2011	2010	2009	2008
% global operating business revenue certified to ISO 14001	70%	69%	70%	69%	74%

Number of employees who have completed sustainability e-learning modules*

Region	To date
Total	32,101

* Collective Responsibility and Sustainable Procurement. Double-counted employees have been removed.

Global environmental fines

Region	2012	2011	2010	2009	2008
UK	–	£750	–	£8,000	£40,000
Europe	–	–	–	–	–
North America	US\$89,300	US\$15,500	–	US\$5,000	US\$20,625
ROW	SG\$20,300	SG\$17,000	SG\$23,200	SG\$10,000	SG\$1,000

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Trend in accident frequency rate

	2012	2011	2010	2009	2008
AFR (Group)	0.16	0.17	0.16	0.17	0.20
Hours (Group)	309,552,757	315,325,093	287,994,341	281,800,408	327,186,796

Safety performance data

	2012	2011
Fatalities	8	5
Major injuries	184	189
Over 3 day injuries	311	358
Group AFR	0.16	0.17
High potential incidents	226	240
Public injuries	160	158

Appraisals

Region	2012			2011		
	Staff numbers	Staff PDRs completed	Staff % completed	Staff numbers	Staff PDRs completed	Staff % completed
UK	12,324	5,200	42	15,918	5,936	37
Europe	3,390	2,023	60	3,680	2,446	66
North America	6,861	6,051	88	6,140	5,455	89
ROW	6,105	4,771	78	5,705	4,573	80
Global	28,680	18,045	63	31,443	18,410	59

Community engagement plans

Region	2012	2011
UK	482	374
Europe	–	–
North America	80	59
ROW	1,067	29
Global	1,629	462

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2012 geographical CO₂e emissions (tonnes CO₂e) breakdown by source:

Region				Buildings	Vehicles and plant	CO ₂ e from employee business travel (rail, air, other – estimated)	CO ₂ e from equivalent F-Gases emissions (SF6 and HFCs)	Total CO ₂ e (including employee business travel)
	Electricity	Natural and bottled gas	Heating oil and boiler fuel	CO ₂ e from buildings Total	CO ₂ e from vehicles and plant Total			
UK	28,875	3,948	101	32,924	140,815	12,528	1,095	187,362
Europe	1,203	147	–	1,350	9,184	1,242	–	11,776
North America	14,591	3,356	–	17,948	27,608	11,648	–	57,203
ROW	70,978	43	2,357	73,378	130,631	57,036	1,170	262,215
Total	115,648	7,494	2,457	125,599	308,237	82,454	2,265	518,555
% of total	–	–	–	24%	59%	16%	0.4%	100%

Note: Excluding Scope 1 and 2 data from PB North America.

Absolute tonnes CO₂e (Scope 1 and 2)

Region	2012	2011 (Restated)	2010 (Restated)	2009	2008
UK	174,834	208,945	259,745	224,330	217,450
Europe	10,534	10,435	9,687	3,460	3,445
North America*	45,555	41,716	39,059	49,838	2,962
ROW	205,178	207,250	131,564	122,108	111,491
Total	436,101	468,346	440,055	399,737	335,348
Total excluding North America	390,546 ^Δ	426,630	400,996	349,898	332,386

Note: Restated data (following improvements made to our data collection systems and analysis).

* Excluding data from Parsons Brinckerhoff North America.

^Δ Refers to our assurance report as found on page 34.

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Global CO₂e (scope 1 and 2) per £m revenue

Region	2012	2011 (Restated)	2010 (Restated)	2009	2008
UK	30.5	34.7	43.6	34.5	34.7
Europe	23.7	19.5	16.9	6.7	8.0
North America	17.4	17.1	17.0	18.3	1.3
ROW	111.4	115.7	90.4	96.7	117.7
Total	41.0	47.3	42.8	36.3	33.9
2012 Target ¹	38.5	38.5	38.5	38.5	38.5
2020 Target ²	21.4	21.4	21.4	21.4	21.4

¹ Target is changed from 37.5 following restated 2010 data.

² Target is changed from 20.9 following restated 2010 data.

Note: Excluding scope 1 and 2 data from Parsons Brinckerhoff North America.

Total absolute global waste disposed to landfill (tonnes)

Region	2012	2011 (Restated)	2010	2009	2008
UK	157,110	323,286	603,328	685,563	793,217
Europe	6	7	75	81	1,207
North America	217,510	101,442	240,049	104,413	515
ROW	101,623	62,327	66,091	88,351	38,487
Total	476,250	487,063	909,543	878,409	833,425

Total relative weight of global waste disposed to landfill (tonnes/£m revenue)

Region	2012	2011 (Restated)	2010	2009	2008
UK	27	58	101	105	127
Europe	–	–	–	–	3
North America	62	31	79	38	–
ROW	55	35	45	70	41
Total	41	42	82	80	84

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For definitions, please see the [User Guide](#).

Global waste avoided from landfill vs waste disposed to landfill (tonnes)

	2012	2011 (Restated)	2010	2009	2008
Waste disposed	10%	9%	22%	15%	23%
Waste recycled	90%	91%	78%	85%	77%

Global waste to landfill (tonnes)

Waste type	Demolition	Excavation	Construction	Office	Manufacturing/ depot	Total weight of waste disposed (all sources) (Tonnes)
UK	11,410	133,771	8,743	1,064	2,121	157,109
Europe	–	–	–	–	6	6
North America	19,088	85,755	107,677	2,894	2,096	217,510
ROW	–	–	101,468	148	8	101,624
Total	30,498	219,526	217,888	4,106	4,231	476,250

Global waste avoided from landfill (tonnes)

Waste type	Demolition	Excavation	Construction	Office	Manufacturing/ depot	Total weight of waste avoided (all sources)
UK	127,656	1,302,324	260,795	39,628	300,617	2,031,020
Europe	2,188	–	25	72	1,137	3,422
North America	47,673	63,571	91,250	1,187	1,059	204,740
ROW	–	2,081,723	20,048	9,575	5,590	2,116,936
Total	177,517	3,447,618	372,118	50,462	308,403	4,356,118

Global spend on responsibly sourced timber (£)

	2012	2011	2010	2009	2008
All timber purchases	28,515,307	24,507,166	12,796,151	9,423,953	16,912,325
FSC, PEFC and other managed sources	14,452,435	15,677,105	9,401,736	8,399,857	5,807,280

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The following data tables provide further information on the performance indicators referenced within this report.

For definitions, please see the [User Guide](#).

2012 spend on responsibly sourced timber by region (£)

	UK	Europe (excl UK)	North America	ROW	Total
All timber purchases	15,037,220	1,291,824	11,212,496	973,768	28,515,307
FSC, PEFC and other managed sources	12,867,808	1,055,854	–	528,773	14,452,435

% Recycled content of major materials

Region	Overall spend (£)	Spend on recycled content (£)	% total recycled content of all materials excluding timber
UK	155,120,944	20,956,119	14
Europe	104,944,175	–	–
North America	58,012,530	–	–
ROW	138,756,061	2,405,696	2
Total	456,833,710	23,361,815	5.11

Global absolute water consumption (m³)

Region	2012	2011 (Restated)	2010 (Restated)	2009	2008
UK	488,387	628,947	1,130,701	726,521	701,183
Europe	4,925	6,723	15,501	2,911	6,641
North America	201,547	221,535	201,859	89,674	76,500
ROW	2,082,674	1,782,914	1,522,134	1,281,523	901,478
Total	2,777,532	2,640,118	2,870,195	2,100,629	1,685,801

Relative global water consumption (m³/£m revenue)

Region	2012	2011 (Restated)	2010 (Restated)	2009	2008
UK	85	98	190	112	112
Europe	11	12	27	6	15
North America	58	87	66	33	34
ROW	1,131	1,062	1,046	1,015	952
Total	241	236	260	191	170

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The following data tables provide further information on the performance indicators referenced within this report.

For definitions, please see the [User Guide](#).

Trend 2009–2012

-  Positive
-  No Change
-  Negative

Summary of performance against 2009–2012 Roadmap targets

Key performance indicator	2009	2010	2011	2012	Trend 2009–2012	2012 target
Managing Sustainability						
Value of completed sustainability products (such as LEED, BREEAM, CEEQUAL) £bn	n/a	2.3	2.5	3.3		n/a
% of projects with agreed sustainability objectives	n/a	4	7	11		n/a
Healthy Communities						
% of staff completing annual appraisal	63	59	59	63		90
Fatal accidents (employees and subcontractors)	3	5	5	8		0
Accident frequency rate (AFR) (employees and subcontractors)	0.17	0.16	0.17	0.16		0.10
Permanently disabling injuries (employees and subcontractors)	3	2	5	1		0
Injuries to the public	156	159	158	160		0
Environmental Limits						
Tonnes Scope 1 and 2 CO ₂ e/£m revenue ³	–	42.8 ¹	47.3 ¹	41.0 ¹		38.5 ¹
Waste to landfill (tonnes/£m revenue)	80	82	42 ¹	41		41
% recycled content in major construction materials	n/a	3	7	5		25
% major construction materials from responsible sources (eg concrete, aggregates and steel)	n/a	27 ²	34 ²	35 ²		25
Sustainably sourced timber (% of total timber spend by value)	89	74 ¹	64 ¹	51		100
Water use (m ³ /£m revenue)	191	260 ¹	236 ¹	241		234 ¹

¹ Restated data (following improvements made to our data collection systems and analysis).
² UK only (responsible sourcing schemes are not readily available outside the UK for these materials).
³ Excluding Scope 1 and 2 data from PB North America.

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Safety, health, environmental and quality compliance

DNV Environmental Assurance Statement

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 external assurance to the Balfour Beatty Board and to Balfour Beatty operating businesses' management teams that environmental performance is being managed and delivered effectively to a consistently high level across all of its operating businesses
- Using a scored and quantified audit system that will support accurate benchmarking, both internally and between operating businesses and drive continuous improvement
- To maintain certification to ISO 14001 as a by-product of the BBGAP audit.

Process

DNV has assessed the environmental management system performance of most Balfour Beatty operating businesses internationally, using the BBGAP as a basis for audit, and presents the detail of this in an 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 operating businesses audited by DNV. The audits have also identified good practice in individual operating businesses which can be of benefit to the entire Group.

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 of improvement. Accordingly, the BBGAP process has been seen to be driving continuous improvement in environmental management within the business.

DNV commends Balfour Beatty for the progress it continues to make with respect to the improvement of environmental management systems.

Overall from the audits carried out, and the resulting actions taken, DNV have a high level of confidence that Balfour Beatty is committed to meeting its obligations and is striving for excellence in its environmental management systems.

Significant spills and environmental fines

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 small oil spill onto hardstanding).

During 2012, 421 environmental incidents were recorded across our global operations (2011: 442). Of these, none were classified as causing irreversible or major environmental impact. 23 moderate incidents were reported in 2012 (2011: 30). No significant incidents were recorded.

Spills, primarily minor quantities of hydraulic oil, remain the single largest contributor to environmental incidents recorded by our operating businesses, accounting for 69% of the total (2011:61%).

Enforcement action

Four minor environmental incidents resulted in enforcement action and fines in 2012 (2011: six) totalling £66,827 equivalent (2011: £18,000):

- Balfour Beatty Investments was fined over £56,000 for not correctly disclosing the lead based paints present in the military housing it manages according to Toxic Substances Control Act. It should be noted that Balfour Beatty Investments does not use lead based or VOC based paints. The buildings it manages were painted with lead based paints prior to 1978. In 13 cases residents were provided with information regarding the presence of lead based paint (LBP) in their home; however, the lead based paint addendum the residents signed did not properly list the LBP reports they were given.

Since being informed of the documentation deficiencies, Balfour Beatty has conducted additional training with our personnel and reinforced the importance of completing all documentation steps when executing leases. These violations were a technical error that posed no risk to human health.

- Gammon Construction was fined HK\$2,000 for breaching the Construction Dust Regulations (a truck left site without full cover), HK\$100,000 for using powered mechanical equipment (concreting equipment) after 7pm and therefore breaching permit conditions, and SG\$4,000 for blocking a public drain in Woodsville.

Our plans for 2013

We will continue our focus on pollution prevention and compliance with regulatory requirements through our environmental management systems.

Global environmental fines

Region	2012	2011	2010	2009	2008	2007
UK	–	£750	–	£8,000	£40,000	–
Continental Europe (excl UK)	–	–	–	–	–	–
North America	\$89,300	\$15,500	–	\$5,000	\$20,625	\$490
Rest of the World	SG\$20,300	SG\$17,000	SG\$23,200	SG\$10,000	SG\$1,000	SG\$0

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Independent assurance report to Balfour Beatty plc

KPMG LLP (UK) (KPMG) was engaged by Balfour Beatty plc (Balfour Beatty) to provide limited assurance over selected greenhouse gas (GHG) performance data contained within the Balfour Beatty Sustainability Report (the Report) for the reporting year ended 31 December 2012.

What was included in the scope of our assurance engagement?

Assurance scope

Reliability of Balfour Beatty totals for selected GHG performance data for the year ended 31 December 2012 marked with the symbol Δ on page 32.

Assurance criteria

Relevant reporting parameters for the selected GHG performance data as set out in our User Guide.

Limited assurance was provided for this scope. The nature, timing and extent of evidence gathering procedures for limited assurance are less than for reasonable assurance as set out in ISAE 3000¹, and therefore a lower level of assurance is provided for the data and objectives under the limited assurance scope. We have not been engaged to provide assurance over any prior year data or comparators.

Which assurance standard did we use?

We conducted our work in accordance with International Standard on Assurance Engagements 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we obtain sufficient, appropriate evidence on which to base our conclusion.

Responsibilities

The Directors of Balfour Beatty are responsible for the preparation of the Report; for determining the content and statements contained therein; and for establishing reporting guidelines and maintaining appropriate records from which the reported information is derived.

Our responsibility is to independently express a limited assurance conclusion in relation to the above scope. We conducted our engagement with a multidisciplinary team including specialists in GHG assurance with experience in similar engagements.

This report is made solely to Balfour Beatty in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Balfour Beatty those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted

by law, we do not accept or assume responsibility to anyone other than Balfour Beatty for our work, for this report, or for the conclusions we have reached.

What did we do to reach our conclusions?

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary in relation to the above scope. Our work included the following procedures using a range of evidence-gathering activities which are further explained below.

We conducted two phases of work:

A. Operating Company (OpCo) level:

Three reviews were undertaken at OpCos in the UK and Hong Kong. These three OpCos were selected on a risk basis to provide:

- coverage of the GHG footprint performance data in scope
- coverage across the differing operating divisions
- coverage across geographic regions.

During OpCo visits, we:

- conducted interviews with local Balfour Beatty management and staff to obtain an understanding of the GHG performance data collection, aggregation and reporting processes and controls
- examined the systems, processes and controls in place to collect, aggregate and report the GHG performance data
- reviewed a selection of the documentation which supports the GHG performance data for the year ended 31 December 2012
- tested a selection of the underlying data which support the GHG performance data for the year ending 31 December 2012

- performed analytical review procedures over the GHG performance data, including a comparison to the prior year amounts having due regard to changes in activities and changes in the business portfolio.

B. Group data aggregation

During Group level data aggregation we:

- conducted interviews with Balfour Beatty management and staff to obtain an understanding of the GHG performance data collection, aggregation and reporting processes and controls
- examined the systems, processes and controls in place to collect, aggregate and report the GHG performance data
- reviewed a selection of the documentation which supports the GHG performance data for the year ended 31 December 2012
- performed analytical review procedures over the aggregated GHG performance data, including a comparison to the prior year amounts having due regard to changes in activities and changes in the business portfolio
- reviewed the presentation of the GHG performance data in the Report to ensure consistency with our findings.

What is our conclusion?

Based on the work performed and scope of our assurance engagement described above, nothing has come to our attention to suggest that the selected GHG performance data marked with the symbol Δ, in this Report are not fairly stated, in all material respects, in accordance with the relevant reporting criteria provided by Balfour Beatty as set out in its [User Guide](#).

KPMG LLP (UK)

Chartered Accountants
London
15 March 2013

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Lois Smith
KPMG LLP (UK)

Assurance standards

¹ International Standard on Assurance Engagements 3000: Assurance engagements other than Audits or reviews of Historical information, issued by the International Auditing and Accounting Standards Board.

2012 awards

January 2012

- 1 For the second consecutive year, [FORTUNE magazine](#) recognises Balfour Beatty Construction (US) for its commitment to employees by including the company on its prestigious “100 Best Companies to Work For” list.

February 2012

- 2 Balfour Beatty Construction (US) wins [Sustainability Circle of Excellence Award](#) for achieving high recycling and waste diversion rates.

March 2012

- 3 Skanska Balfour Beatty Construction Joint Venture wins three Excellent graded [CEEQUAL](#) awards for work on two Major Widening Schemes and the Major Refurbishment of the Hatfield Tunnel.

April 2012

- 4 Balfour Beatty Engineering Services, Modular Systems +, wins Manufacturer of the Year category at the [Sustain Awards 2012](#).
- 5 Balfour Beatty Communities is recognised for its commitment to energy efficiency by the Fort Bliss Directorate of Public Works-Environmental Division with a 2012 Earth Day Award.

June 2012

- 6 Balfour Beatty picks up four awards at this year’s [Chartered Institute of Highways and Transportation \(CIHT\) Awards](#). The awards included the Sustainability Award for the Balfour Beatty Mott MacDonald joint venture working in Area 2, the Ringway Innovation Award for the King Sheet Piling System used by Skanska Balfour Beatty along Section 1 of the M25 DBFO contract, and the Major Projects Award for the A3 Hindhead team. Our work on the A3 Hindhead scheme with Mott MacDonald and the Highways Agency also picked up an ACE Engineering Excellence award in the Large Infrastructure category.

- 7 Balfour Beatty picks up six Green Apples at the Green Apple Awards in 2012 significantly improving on last year’s performance – see table below:

Category	Gold	Silver	Bronze
Heavy Construction	Heathrow T2B BB Major Civils		A46 Newark to Widmerpool improvement scheme, BB Major Civils
Urban Landscape		Northamptonshire & Cambridgeshire (Eastern Shires) Street Lighting PPPS, BB Living Places	
Recycling Initiative	City Depot, Mansell		
Building Conservation Project	Kensington Palace, Mansell		
Innovation			Stocks Green 1, Balfour Beatty Mott MacDonald

July 2012

- 8 Balfour Beatty wins the [Business Green Leaders Award](#) for “Sustainability Team of the Year” based on its worldwide Sustainable Working Group’s (SWG) success in driving change across the business.
- 9 Birse Civils South Division’s Eastern Region achieves [RoSPA President’s Award](#) 13 Aug 2012.
- 10 Balfour Beatty/Jones Bros Joint venture wins Environmental Project of the Year at the Construction News Awards.

August 2012

- 11 Balfour Beatty Communities’ Fort Carson Military Family Housing Project is named “Energy & Sustainability Partner of the Year” by the [Association of Defense Communities](#).

September 2012

- 12 Balfour Beatty is named on the Dow Jones Sustainability Index Europe, an annual review that recognises the world’s financial, social and environmental corporate leaders.

November 2012

- 13 Halsall Associates is honoured for Excellence in Corporate Responsibility at [Green Living’s second annual Excellence in Corporate Responsibility \(ECR\) Awards](#).
- 14 Balfour Beatty is announced winner of [PWC’s Building Public Trust Awards 2012](#) for sustainability reporting in the FTSE 250.

December 2012

- 15 The Parsons Brinckerhoff and Arup Joint Venture team – responsible for the design of the Brisbane Airport Link projects – receives the Special Recognition Award for Sustaining our [Society at the Bentley 2012 Be Inspired Awards on 14 November in Amsterdam](#).

Regarded as the highest honour of the awards programme, the Special Recognition Award recognises outstanding achievement in infrastructure – representing the “best of the best” and chosen from a competitive field of entries from across the world.

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Strategy 


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Heading	GRI reference	Location
Strategy and analysis	1.1	CEO's statement
	1.2	Key impacts (including materiality table)
Organisational profile	2.1	Name of organisation
	2.2	Brands, products and services
	2.3	Operational structure
	2.4	Location of head office
	2.5	Countries of ownership
	2.6	Nature of ownership
	2.7	Markets served
	2.8	Scale of organisation
	2.9	Significant changes in operation
	2.10	Awards received
Report profile	3.1	Reporting period
	3.2	Date of previous report
	3.3	Reporting cycle
	3.4	Contact point and feedback
Report scope and boundary	3.5	Defining content
	3.6	Boundary of report
	3.7	Exclusions from scope
	3.8	Joint ventures and subsidiaries
	3.9	Data measurement techniques
	3.10	Restatements
	3.11	Significant changes
GRI content index	3.12	GRI table
Assurance	3.13	Assurance

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Strategy 

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Heading	GRI reference	Location	
Governance	4.1	Governance of SEE matters	SHEQ compliance
	4.2	Chair of highest governance body	ARA
	4.3	Board structure	ARA
	4.4	Stakeholder engagement with the highest governance body	ARA
	4.5	Remuneration linkages	ARA
	4.6	Conflict of interest	ARA
	4.7	Qualifications and expertise of highest governance body	ARA
	4.8	Code of ethics	Ethics and values
	4.9	Risk assessment and management	Risk management
	4.10	Process for evaluating the highest governance body's performance, including SEE performance	ARA
Commitments to external initiatives	4.11	Precautionary principle	Risk management
	4.12	External economic, environmental, social charters or other initiatives subscribed to	Ethics and values
	4.13	Membership of associations: governance and strategic	Meeting the needs of our clients
Stakeholder engagement	4.14	List of stakeholder groups engaged	Engaging with our stakeholders
	4.15	Identifying stakeholders	Engaging our supply chain Investing in communities Developing our people
	4.16	Approaches to stakeholder engagement	As 4.15
	4.17	Stakeholder key topics	As 4.15

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Economic ▼


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Heading	GRI reference	Location
Economic performance	EC1 Economic profile	ARA
	EC2 Climate change risks and opportunities	Risk management
	EC3 Organisation's defined benefit plan obligations	ARA
	EC4 Significant financial assistance received from Government	ARA
Market presence	EC5 Wage ratios	Reported at operating company level
	EC6 Local sourcing policies	Engaging our supply chain
	EC7 Local hiring procedures	Reported at operating company level
Indirect economic impacts	EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Investing in communities
	EC9 Understanding significant impacts	Investing in communities

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Environmental



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Heading	GRI reference	Location
Materials	EN1 Materials used	Sourcing responsibly
	EN2 Recycled materials	Reducing waste
Energy	EN3 Direct energy consumption	Reducing our GHG emissions
	EN4 Indirect energy consumption	Reducing our GHG emissions
	CRE1 Building energy intensity	Reducing our GHG emissions
	EN5 Energy saved due to improvements	Reducing our GHG emissions
	EN6 Energy efficient services/renewable energy	Growing our business
	EN7 Initiatives to reduce indirect energy consumption	Reducing our GHG emissions
	Water	EN8 Water usage
EN9 Water sources significantly affected by withdrawal		Managing our water consumption
CRE2 Building water intensity		Managing our water consumption
Biodiversity	EN11 Protected areas and areas of high biodiversity value outside protected areas	Protecting ecological resources
	EN12 Description of significant impacts of activities, services and products on biodiversity	Protecting ecological resources
	EN13 Habitats protected or restored	Protecting ecological resources
	EN14 Strategies, current actions, and future plans for managing impacts on biodiversity	Protecting ecological resources
Emissions, effluents and waste	EN16 GHG emissions	Reducing our GHG emissions
	EN17 Other relevant indirect greenhouse gas emissions	Reducing our GHG emissions
	CRE3 GHG intensity from buildings	Reducing our GHG emissions
	CRE4 GHG intensity new construction/redevelopment	Reducing our GHG emissions
	EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	Reducing our GHG emissions
	EN19 Emissions of ozone depleting substances	Reducing our GHG emissions
	EN20 NO, SO air emissions	Not applicable
	EN21 Total water discharge	Reported at operating company level
	EN22 Total weight of waste	Reducing waste
EN23 Significant spills	SHEQ compliance	

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Heading	GRI reference	Location
	CRE5 Land remediated	Reported at operating company level
	EN26 Enhanced efficiency and mitigation of environmental impacts	Engaging our supply chain
	EN27 Percentage of products sold and their packaging	Not applicable
Compliance	EN28 Environmental fines	SHEQ compliance
	EN10, EN15, EN24, EN25, EN29, EN30	Reported at operating company level

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Employees 

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Heading	GRI reference	Location
Employment	LA1	Workforce employment numbers Developing our people
	LA2	Total number and rate of employee turnover by age group, gender and region Reported at operating company level
Labour/management agreements	LA4	Percentage of employees covered by collective bargaining agreements Reported at operating company level
	LA5	Notice periods regarding operational changes Reported at operating company level
Occupational health and safety	LA6	Worker representation on health and safety committees Reported at operating company level
	LA7	Occupational health and safety data Operating safely
	CRE6	% organisation operating in compliance with recognised health and safety management system Operating safely
	LA8	Occupational health and safety training Operating safely
Training and education	LA10	Overall training data Developing our people
	LA11	Programmes for skills management and lifelong learning Developing our people
	LA12	Employee performance and career development reviews Developing our people
Diversity	LA13	Diversity data Valuing diversity
	LA14	Ratio of salary from women to men by employee category Reported at operating company level
	LA3, LA9	Reported at operating company level

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Human Rights 



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Heading	GRI reference	Location
Investment and procurement practices	HR1	Percentage and total number of significant investment agreements including clauses relating to human rights
	HR2	Percentage of significant suppliers and contractors who have undergone human rights screening
	HR3	Total number of hours training on policies and procedures concerning aspects of human rights
Non-discrimination	HR4	Incidents of discrimination and actions taken
Freedom of association and collective bargaining	HR5	Violation of rights to exercise freedom of expression of association and collective bargaining within operations and suppliers

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Society



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Heading	GRI reference	Location
Local communities	SO1 Number of operations with implemented community engagement, impact assessment and development programmes	Investing in communities
Corruption	SO2 Risks related to corruption	Ethics and values
	SO3 Percentage of employees trained in organisation's anti-corruption policies and procedures	Ethics and values
	SO4 Actions taken in response to incidents of corruption	Reported at operating company level
	SO5 Public positions on key legislation	n/a ¹
	SO6 Political donations	ARA
	SO7 Anti-competitive, anti-trust, monopoly	ARA
	SO8 Monetary value of significant fines and non-monetary sanctions for non-compliance with laws and regulations	ARA, SHEQ compliance
	SO9 Operations impact on local communities	Investing in communities
	SO10 Prevention and mitigation of potential negative community impacts	Reported at operating company level
	CRE7 Persons displaced by project	Reported at operating company level

¹ It is not Company policy to take public positions on impending legislation.

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Stewardship



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Heading	GRI reference	Location
Customer health and safety	PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement
	PR2	Non-compliance with regulations and voluntary codes
Product and service labelling	PR3	Procedures for information required on products or services
	PR4	Product and service information and labelling
	PR5	Customer satisfaction surveys and results
Marketing communications	PR6	Programmes for adherence to laws, standards and voluntary codes
	PR7	Incidents of non-compliance with regulations and voluntary codes
Compliance	PR8	Customer privacy and customer data
	PR9	Monetary value of fines for non-compliance with laws and regulations

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