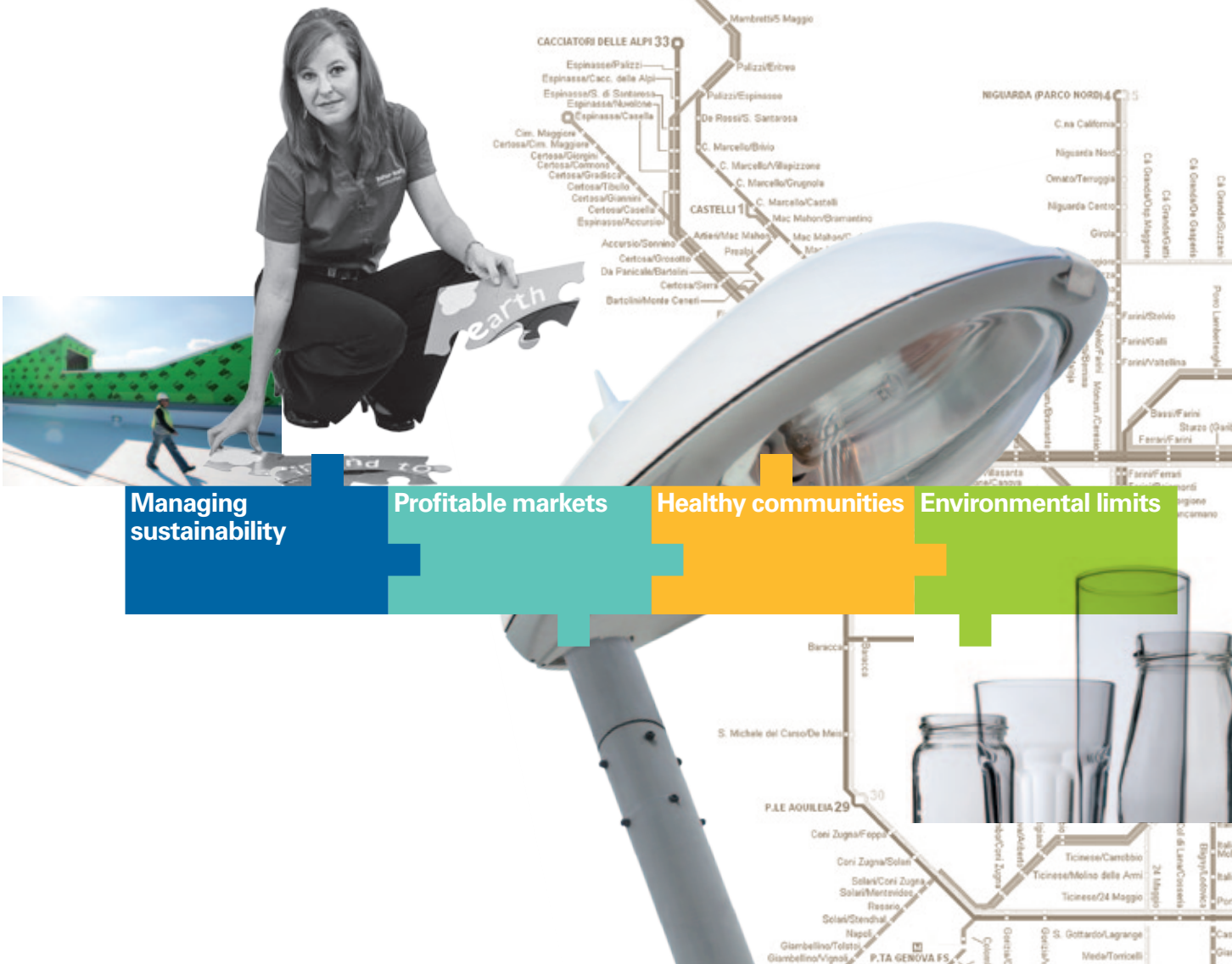


A COLLECTIVE RESPONSIBILITY



Managing sustainability

Profitable markets

Healthy communities

Environmental limits

We set out our sustainability vision, and the roadmap for delivering it, in 2009. But a vision and a map are only pointers. To arrive at the destination, we have to make the actual journey. All of us, together.

Over the past year, we have been working to embed our sustainability vision and roadmap throughout the organisation. And by 'embed' we don't just mean 'communicate'. We mean instilling a sense that sustainability isn't someone else's job. It's a collective responsibility we all share.

WHAT'S IN THIS REPORT

A collective responsibility

Sustainability touches every aspect of our business. It affects our behaviour, impacts our costs, creates new business opportunities and sharpens our competitive edge. It's complex and all-pervading. To get it right, we need to get everyone involved.

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Profitable markets

Our approach to sustainability can generate profitable growth. We want customers and investors to choose Balfour Beatty because we contribute to their long-term profitability through more sustainable infrastructure.

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Healthy communities

We are 50,000 individuals designing, building and maintaining infrastructure to serve communities. Recognising our responsibilities to individuals and communities – and learning what they know – is essential to our long-term success.

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Environmental limits

We see clear business advantages in taking a lead on environmental issues. While cutting our costs, we demonstrate our ability to help customers reduce their own impacts and respond to environmental pressures.

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



Balfour Beatty is a global infrastructure services business with ambitions to lead in every sense. We are inspired by the opportunity we have – and the responsibility we all share – to make a significant, sustainable difference to people’s lives.

This is our tenth annual Sustainability Report. It outlines our progress during the year as we pursue our 2020 sustainability vision, identifies work still underway and sets out our plans for the year ahead.

We continue to refine our reporting. In the following pages we hope to show what we have achieved as a company and as individuals over the past year in our increasingly diverse operations across a growing number of countries. Where we fall short of our goals, we also aim to explain why, and what we intend to do about it.

Our most important task in 2010 has been to embed a recognition that achieving our vision is a collective responsibility at all levels of the organisation. By our decisions and actions, each one of us can take Balfour Beatty forward. Everyone has a role to play: not just among our own 50,000 people but across our 500,000-strong community of partners, contractors and suppliers. We also want to engage other stakeholders including customers, shareholders and the communities where we operate.

That’s why we have developed a standalone website dedicated to sustainability issues at www.collectiveresponsibility.net. Here you will find not only our own position and vision, but also a forum for discussion, debate and sharing best practice. Sustainability is not a journey companies should expect to make on their own, and we welcome your thoughts and feedback.

Our sustainability as a business is not a right. It has to be earned, by constantly fulfilling our responsibilities to all our stakeholders. That is why our business strategy and sustainability vision are closely aligned. It is also why we take such an interest in our customers’ own sustainability challenges. The transition to a low-carbon future, for example, generates opportunities that play directly to our strategic aim to “focus on markets with the greatest opportunities”. The green economy is expected to be worth over £100bn in the next 10 years in the UK alone.

Another example is our Zero Harm vision, which is central to our strategy for industry leadership and a primary concern for many customers. Despite our commitment and the progress we have made, the five fatalities we experienced in 2010 are both deeply regrettable and a stark reminder that our sustainability goals are challenging ones. Challenging, but achievable.

Balfour Beatty is an extraordinary team of individuals across the world. Together, we make remarkable things happen every day. And we share a growing recognition that if we take collective responsibility for building a sustainable future, we can become a beacon for our industry.

Ian Tyler
Chief Executive

Mike Peasland
Chief Executive Officer,
Construction Services UK and
Sustainability Working Group Chair

April 2011

Balfour Beatty in 2010

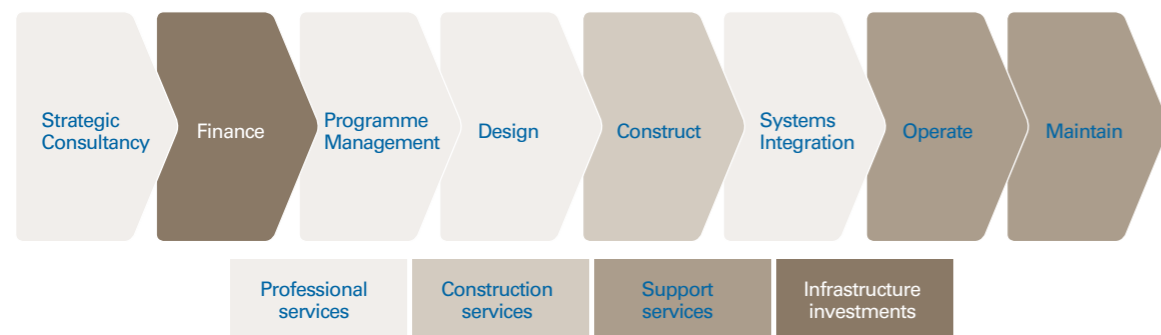
Balfour Beatty is an international infrastructure business. We work on the major infrastructure assets that societies need to function. Our business model means we work across their entire lifecycle – from conception, funding, design and programme management to construction, systems integration, operation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

Our markets and model

We have strong positions in both civil infrastructure – transportation, power, water and communications – and social infrastructure, which includes complex buildings in the health, education and social and military housing sectors.

We are one of a handful of global players focused on these markets, which are forecast to be worth over £20 trillion over the next 10 years. Our breadth of capability gives us a competitive edge, enabling us to get involved at any, or every, stage in the lifecycle of infrastructure assets.

Services provided across the infrastructure lifecycle



A global business working across 80 countries

We earn almost half our revenue outside the UK, in more than 80 countries – principally in continental Europe, the US, South-East Asia, Australia and the Middle East. This share will continue to grow as we expand our activity in emerging markets.

In developed economies, growth will be driven by the need to renew ageing assets, and by new imperatives such as low-carbon energy policies. We see even greater opportunities in emerging economies, driven by expanding populations, urbanisation and GDP growth.



Group revenue	£10.5bn	50,000 employees worldwide
North America	£3.1bn	Europe 68%
South America	£11m	Americas 21%
Europe	£6.2bn	Rest of World 11%
Africa and the Middle East	£219m	
Australia and Asia	£994m	

A resilient performance and a strong balance sheet

Revenue¹ £10.5bn +2% 2009: £10.3bn	Pre-tax profit² £319m +20% 2009: £267m	Order book £15.2bn 2009: £14.1bn	Average net cash £435m 2009: £283m
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¹ Including joint ventures and associates.

² Before exceptional items and amortisation of intangible assets.

Sustainability is at the heart of our business strategy

We have been in business for over a century and we take a long-term view of the future. So our business strategy, our sustainability vision and our view of the risks and opportunities we face are all closely interwoven:

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

Our performance at a glance (2008–2010)

Key Performance Indicator	2008	2009	2010	Trend 2008–10	2012 target
Profitable markets					
Revenue from sustainability products as % of total revenue	n/a	n/a	22	■	–
New projects with agreed sustainability objectives (%)	n/a	n/a	4	■	–
Healthy communities					
Fatal accidents (employees and sub-contractors)	8	3	5	■	0
Accident frequency rate (employees and sub-contractors)	0.20	0.17	0.16	■	0.10
Permanently disabling injuries (employees and sub-contractors)	6	3	2	■	0
Injuries to the public	178	156	159	■	0
Environmental limits					
Tonnes equivalent CO ₂ /£m revenue	33.9*	36.3*	42.8†	■	38.5
Waste to landfill (tonnes/£m revenue)	84	80	101†	■	51
Total waste diverted from landfill (through recycling, recovery and re-use) (%)	77	85	81	■	–
Recycled content in major construction materials (%)	n/a	n/a	3.4	■	25
Major construction materials from responsible sources (% of spend by value)	n/a	n/a	19	■	25
Sustainably sourced timber (% of total timber spend by value)	77	89	75	■	100
Water use (m ³ /£m revenue)	170.4	190.9	233.3†	■	210

Red/green rating displayed for performance between 2008 and 2010. This year's 'at a glance' table has been aligned to the numerical targets within our sustainability roadmap. Graduate recruitment and absence data can now be found online at www.collectiveresponsibility.net.

* Restated data. Greenhouse gas emissions are expressed as tonnes equivalent CO₂.

† Denotes baseline year.

■ Positive impact trend 2008–10
■ Negative impact trend 2008–10
■ New indicator

MANAGING SUSTAINABILITY

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



Zero-carbon school: a lesson in sustainability US

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

What we're doing

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

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

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

* Source: US Green Building Council.

The impact

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

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

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

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

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

Mike Parkos
Senior Project Manager

John Miraldi
Superintendent
Balfour Beatty Construction, US



Our sustainability vision

The impacts of climate change, resource depletion and the expectations of our customers, investors, employees and society will continue to intensify. Focusing on sustainability will position us better to manage non-financial risk, exploit opportunities for increasing efficiency and entering new markets, and enhance our reputation as a leader in our sectors.

For us, sustainability is not only a business goal; it is also a product that we can offer to customers by helping them to make more sustainable choices.

Our sustainability vision for 2020 (see below) identifies three broad areas for action: profitable markets, healthy communities and environmental limits. You can read our vision document in full – and see our roadmap for achieving the vision – at www.collectiveresponsibility.net

Our roadmap addresses 31 key issues grouped into 10 focus areas. For each of these, it identifies three critical milestones:

Minimum expectations by 2012 – mandatory first steps for all our operating companies

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

The aspirational goal for 2020 – providing a clear direction for our thinking and practices.

Further milestones are planned for 2015 and 2018. We will begin developing 2015 elements of the roadmap later this year.

Progress in 2010

We made substantial progress in embedding our sustainability vision, ethics and values across all areas of the business.

Our sustainability working group completed launch meetings with each operating company's management, and each company developed its own action plan, setting out how it will meet the 2012 targets. The plan for Parsons Brinckerhoff was delayed to incorporate the acquisition of Halsall in Canada.

In October, operating companies completed their first self-assessments of progress against their action plans.

Focusing on what matters

Early last year, we held a series of in-depth workshops to help us prioritise which issues we should be focusing on in our sustainability reporting. A year on, our priorities remain broadly the same; and while we will revisit them regularly we do not expect them to change significantly.

The overall results for the Group (excluding Parsons Brinckerhoff) were:

Roadmap	Elements completed	Elements with work underway
2012 minimum expectations	18%	63%
2012 excellence	11%	59%

Operating companies reported that:

Their measurement and tracking of sustainability data has improved, resulting in higher baselines for environmental aspects such as energy and waste

Awareness of sustainability is growing in their business

Understanding of the roadmap continues to improve

They are finding common solutions for specific elements of the roadmap such as sustainable procurement.

They also reported some challenges, including:

Maintaining focus in increasingly tough markets

Providing sufficient sustainability resource and knowledge

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

Next steps...

Implementation will continue in 2011, and operating companies will measure progress against the roadmap twice a year. Our sustainability working group will also conduct detailed three-day reviews of each company with sustainability assurance experts from KPMG.

In 2012, we will extend these reviews to assess progress at project level and further understand how well we have embedded our vision and roadmap across the Group.

In 2011, Parsons Brinckerhoff will complete its action plan and begin implementation.



Water is not yet a priority issue, but we believe its potential impact and significance to stakeholders are increasing (see page 24). We have also given more emphasis this year to how we are engaging our employees on sustainability (see page 17).

This year we have again aligned our reporting to relevant sections of the Global Reporting Initiative Framework, achieving a B rating.

Governance

Balfour Beatty is a leading business in many of its markets. We aim to be a leader in other areas such as ethics, safety and sustainability – and believe that the long-term future of the organisation depends on it.

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

The Business Practices Committee, comprising non-executive Directors chaired by Mike Donovan, reviews our activities and provides guidance on future activity. In 2010, the main corporate responsibility topics it considered included health and safety, environmental, legal duties, people, community and ethical issues.

The sustainability working group, chaired by Mike Peasland, Chief Executive Officer of Construction Services UK, consists of senior managers with responsibility for Group policy and strategy on key issues. It meets at least four times a year. Its membership will be strengthened in 2011, when Peter Halsall joins the team from Halsall Associates, the specialist sustainability firm in Canada we acquired in 2010.

Managing risk

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

We use a management systems approach to minimise risk impacts and meet regulatory requirements. Some 85% of our revenues come under environmental management systems that either meet the ISO 14001 standard or are subject to third party audits under our Group Audit Protocol.

Dow Jones Sustainability Index

The minimum score needed to feature in the Dow Jones Sustainability Index in 2010 was 75%. Balfour Beatty scored 67% (2009: 67%) and so was excluded from the index for the first time since 2006. Survey feedback called for improvement in areas such as non-financial project evaluation and customer relationship management.

Independent assessment of anti-corruption measures:

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

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

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

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

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

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

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

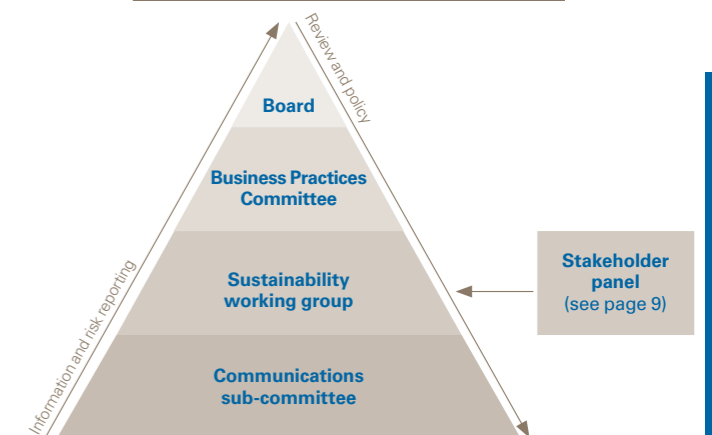
Where can I find more?
Visit our Sustainability hub at:
www.collectiveresponsibility.net

Sustainability e-learning

As part of the programme to embed our sustainability vision across the Group, an e-learning course was launched in 2010. Taking about 45 minutes to complete, the course examines why Balfour Beatty wants to be a leader in sustainability and introduces our ambitious plan for 2020 – the vision and roadmap. The course concludes by signposting where to go for more information and how to get involved in local sustainability efforts. Following the roll-out of the English version of the course, plans are underway for translations in Italian, German, Swedish, Spanish and Chinese.



Our governance structure



Ethics and values

We operate in increasingly diverse markets and, as we grow, we need to be certain that all who work for us will make decisions that consistently prevent the organisation from conducting business unethically or being exposed to serious risks.

In addition, the UK's Bribery Act, which is due to come into force in 2011, requires us to have in place adequate procedures to prevent bribery. We have devoted much effort to our Group-wide ethics and values programme, believing that by demonstrating consistent values of integrity, teamwork, excellence and respect, and a strong and distinctive ethical approach, we can set ourselves apart from our competitors.

Employees are encouraged to apply our values and the principles set out in our Code of Conduct to dilemmas they encounter. The Code has been distributed to all office-based, managerial and supervisory staff, who are also receiving online training supplemented by in-person training where necessary. Nearly 28,000 employees have completed training. The training will be refreshed annually.

We are working to embed the values further across the Group. Each business has a values leader and operating companies began to roll-out values presentations in 2010.

To help us embed and improve our compliance, we have hired a head of ethics and compliance and appointed at least one compliance officer in every operating company. We have also launched a confidential, Group-wide whistle-blowing helpline for employees and third parties.

As hoped, we have seen a significant increase in reports of conduct potentially inconsistent with our Code – from 64 in 2009 to 176 in 2010. We believe

this reflects employees' growing awareness of whistle-blowing channels and our determination to address breaches of the Code.

In 2011, we will continue to promote our values, Code of Conduct and Ethics Helpline – embedding them in our own businesses, rolling them out into our joint venture companies and embedding ethics in our global supply chain.

Leadership

To ensure that our leaders have the right skills and attributes, we have developed a framework identifying the particular qualities that characterise a successful leader in Balfour Beatty, including the behavioural attributes and skills necessary to lead in the future. This will guide the development and recruitment of our leadership teams. Sustainability features as an integral part of the framework.

The leadership framework is founded on our values and, from these, the behavioural expectations that support both our safety and sustainability agendas are developed and clearly stated.

During 2010, we designed and rolled-out a leadership development programme entitled Leading Change: Driving the Safety Agenda (see page 17). Developed with Duke University of the US, it included managing change programmes in a business and safety context: 369 of our most senior leaders attended one of 19 courses run in the US, UK and Hong Kong.

Training

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

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



Group values



Having a common set of Group values offers clear business benefits and will support the challenges of future growth.

Stakeholder engagement

Engaging with stakeholders systematically and proactively is an essential element in being a responsible company. Sharing best practice and ensuring open dialogue with them will go some way to making sustainability a collective responsibility.

Some of the case studies in this report show how this can work. In Coventry, UK, for example, close engagement with the customer's suppliers enabled us to enhance the energy-efficiency of our proposals as our bid progressed (see page 11). And, in Denver, US, engagement with the local community enabled us to secure joint public-private funding for a transformational street enhancement project that would otherwise have been impossible (see page 19).

Our principal stakeholder groups are customers, investors, employees, governments and regulators, local communities, suppliers and industry groups.

In 2011, we will be looking at ways of tangibly measuring the impact of our stakeholder engagement programme in areas such as employee surveys and e-learning.

Where can I find more?
Visit our Sustainability hub at:
www.collectiveresponsibility.net

Our stakeholder panel

We ask an external stakeholder panel to provide independent feedback on our sustainability approach and reporting, and guidance on further improvement.

For 2010, the expanded panel consisted of 11 experienced sustainability and corporate responsibility practitioners from our customers, investors and other interested parties, in the UK and US. To help inform the stakeholder panel, we commissioned URS Corporation to conduct a review of our sustainability programme and performance data, including how sustainability is embedded and managed across the organisation.

Commenting on this year's report, the stakeholder panel said, "We commend Balfour Beatty's continued commitment to the sustainability agenda. We have seen evidence of good progress in 2010 towards embedding sustainability. Over the coming 12 months, we look forward to a focus on improving data, targets and key performance indicators, as well as further alignment of reporting to the 2020 vision and roadmap, and the development of clear 2015 objectives and action plans."

Improvements to this year's reporting, in response to last year's panel comments, include additional disclosures on progress against our 2012 commitments, non-financial KPIs and progress on sustainable procurement and influencing – see table below.

Responding to our stakeholder panel

2009 stakeholder panel recommendation	2010 response
Update on the roll-out of the 2020 vision and roadmap	Ongoing. Launch presentations completed across the business, including newly-acquired Parsons Brinckerhoff. Action plans developed by all businesses except Parsons Brinckerhoff
Report on progress against the 2012 commitments	Completed. Progress against the 2012 minimum expectations and excellence areas provided as at October 2010 (see page 6)
Report on progress against non-financial KPIs	Completed. (see page 3)
Report progress on sustainable procurement and influencing	Completed. Progress reported on Project GrACE (see page 18) and update provided on influencing (see page 12)
Provide more detail on how the company will work with its supply chain to address its indirect (Scope 3) greenhouse gas emissions	Ongoing. We continue to develop our understanding of our Scope 3 emissions and will work with suppliers to reduce emissions. We are developing a buildings carbon calculator in 2011
Provide further evidence of embedding sustainability from top to bottom	Ongoing. (see page 17)
Link sustainability performance to senior management remuneration	Our position remains unchanged (from 2008 panel). Remuneration for executive Directors is based on specific performance measures in annual and long-term incentives
Feedback mechanism for tracking employee understanding and implementation of the roadmap	Ongoing. Feedback encouraged through new social networking site and roll-out of e-learning course and sustainability questions in staff surveys during 2011
Expand stakeholder panel membership to reflect global nature of the business and other relevant interest groups	Completed. Panel expanded to include two US customers, a regulator and a third-sector organisation.



"Sustainability can be a key differentiator in today's crowded marketplace. As a major industry player, Balfour Beatty must continue to innovate and excel in this area."

Kate Broome
Chair of the stakeholder panel and Corporate Responsibility Manager, Network Rail

PROFITABLE MARKETS

Businesses need consistent profits to be sustainable. We are fortunate in that our approach to sustainability can itself support profitable growth. We want customers to choose Balfour Beatty because we contribute to their long-term profitability through more sustainable solutions. And we aim to influence the market to see sustainable infrastructure consistently as the best option.



Smart streets know when to dim the lights

UK

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

What we're doing

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

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

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

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

The impact

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

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

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

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

Michael Moore
General Manager, Balfour Beatty WorkPlace



Influencing for sustainability

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

We seek to influence a more sustainable approach through publishing research and thought leadership material, partnering with organisations that influence standards and practices, sharing our successes and raising awareness of our capabilities.

Leading the thinking

We strongly support CEEQUAL, the UK civil engineering sustainability assessment scheme, and aim to influence and pilot a new international version in 2011. We are working with the UK government on a common cross-departmental approach to sustainable procurement, and on research to help the UK meet its 2050 carbon reduction targets. We are also discussing habitat offsetting as part of the government's forthcoming White Paper on the Natural Environment.

We contributed to the 2010 UK Low Carbon Construction Review and are promoting mandatory greenhouse gas emissions reporting for large companies through the Institute of Environmental Management and Assessment. We are contributing to the UK Contractors Group's work on sustainable materials and helped develop a sector action plan to reduce water use in construction.

In Italy, we recently completed a two-year EU-funded project to quantify the environmental impacts of rail infrastructure and developed methods to help the rail industry procure products with the lowest impacts.

In the Middle East, we are a founder member of the Emirates Green Building Council.

We are a strategic partner and sponsor of the UK Green Building Council's sustainability leadership course with Cambridge University. We sponsored development of the Sustainable Building MSc course at John Moore's University, Liverpool. And we sponsor 10 Masters by Research studentships in sustainable infrastructure and climate change adaptation at Strathclyde University.

We are making increasing use of online, broadcast, print and social media to share our vision of sustainability as a collective responsibility. Last year in the UK, for example, we participated in a supplement in *The Times* newspaper to encourage customers, developers, contractors and their supply chains to work together for a more sustainable future.

Creating new possibilities

Innovation is a key component of our 2020 vision. For example, in conjunction with Sheffield University, we have developed a novel way of strengthening old masonry rail bridges to handle future increases in loads. It uses a polyurethane solution to bond track ballast into a 'raft' that doubles or even triples the bridge's load capacity. The potential market is huge: the UK alone has 25,000 masonry arch rail bridges, many of which are over 100 years old.

In Australia, Parsons Brinckerhoff is developing a new concept for buildings that meet all their water and power needs from the ambient environment. More examples of innovation in sustainability can be found online at www.collectiveresponsibility.net – including the world's first recycled plastic railway bridges in the US, and recycling office waste for use in noise reduction barriers in Hong Kong.

Influencing our markets

Influencing our markets will remain challenging in an economic climate focused on short-term costs. But, in 2011, we will continue to promote our sustainability successes and capabilities, particularly outside the UK. We will also promote sustainability in all our marketing materials so that our customers appreciate our capabilities and increasingly select more sustainable options.

Bringing offshore wind power ashore, UK

Offshore wind is a major new market for us. Investment in the UK alone is estimated at £100bn over the next decade, and we see significant opportunities in the high-voltage transmission infrastructure that brings the energy ashore. We are already preferred bidder to acquire the transmission assets of the world's largest offshore wind farm – the 100-turbine Thanet array off the Kent coast, which has a capacity of 300MW. We will operate and maintain these assets under a 20-year licence from the UK government. We intend to bid for further completed and part-completed assets, and for future opportunities which include construction of new transmission infrastructure.



Meeting customer needs

Meeting customer needs is fundamental to any business. As sustainability becomes increasingly important to our customers, we need to ensure we work with them to meet or exceed their sustainability aspirations. During 2010, we paid particular attention to developing work-winning approaches based on sustainability.

We believe the way we deliver more sustainable solutions will be a key competitive differentiator. For example, our innovative use of remote dimming technology was a decisive factor in our bid to renew Coventry's street lighting in the UK (see page 11). Growing numbers of customers want sustainability to be a key part of our service.

The low-carbon economy will open up new opportunities for us, and to be recognised as a market-leading business we need to enhance the service we offer through innovation. Our 2020 vision in this area is to deliver an appropriate range of products and to work in partnership with customers, helping them align their sustainability goals to society's expectations and environmental limits.

In 2010, we estimated that our baseline revenues of recognised sustainable goods and services (such as LEED, CEEQUAL and clean energy) amounted to 22% of total revenues. We also established for the first time that 4% of our new projects had agreed sustainability deliverables with the customer.

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

The low-carbon opportunity

Our Group-wide energy forum is researching and developing our approach to maximising commercial benefit from the transition to a low-carbon economy. Opportunities include offshore wind, carbon capture and storage, waste from energy facilities, new nuclear and developing the transmission network.

We also believe there will be significant opportunities in retrofitting existing buildings to transform their energy efficiency.

Winning the work

To win work effectively through sustainability, we need to accelerate the way we promote sustainability to customers. In 2010, we held two workshops to develop our approach and inspire our business development teams. Our businesses are now developing roadmaps identifying their core offering and differentiators, as well as developing work-winning prototypes for customers and bids.

Next steps...

In the year ahead, we will be strengthening our approach to influencing and meeting customer needs by formally confirming the sustainability objectives at the outset of projects, identifying sustainability solutions customers can achieve within existing project budgets, and proactively offering sustainability options. We will also be rolling-out more sustainability-based work-winning workshops across the Group.

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

Where can I find more?

Visit our Sustainability hub at:
www.collectiveresponsibility.net

Partnering for sustainability at Heathrow, UK

We are one of 16 major employers at Heathrow Airport working together for a more sustainable airport. The Heathrow Sustainability Partnership has prioritised waste, transport, and employment and skills; we lead the employment and skills group and are developing plans to maximise opportunities for local residents and employers.

"We are pleased that Balfour Beatty is supporting our efforts to create a sustainable Heathrow of which the UK can be proud. Balfour Beatty's expertise in working with supply chains and developing employment opportunities through major projects is a welcome addition to the partnership."

Colin Matthews
BAA's CEO and Chair of the Heathrow Sustainability Partnership



Communitas Award for leadership in environmental responsibility, US

In the US, Heery won the 2010 Communitas Award for its nationwide sustainability efforts. While not all customers seek LEED certification, Heery employees make a point of educating them about the long-term benefits of sustainable design and construction.

Sustainable re-design wins project funds, UK

On a recent UK road scheme, the design called for a 1,700m³ concrete wall. "We came up with an alternative reinforced earth structure using 10,000m³ of 'site-won' sandstone," says Project Manager, Mark Reed. "This cut the need for concrete and was £250,000 cheaper, which helped the scheme get full funding approval."



HEALTHY COMMUNITIES

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



Extinguishing safety risks

UAE

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

What we're doing

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

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

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

The impact

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

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



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

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

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

Arifur Rahman
Pipe Fitter, BK Gulf



Safety

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

Our employees have a fundamental right to enjoy safe work. And no member of the public should be put at any risk by our activities. These two guiding principles underline our approach to health and safety, which is core to our own reputation and that of the industry.

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

Our Zero Harm journey

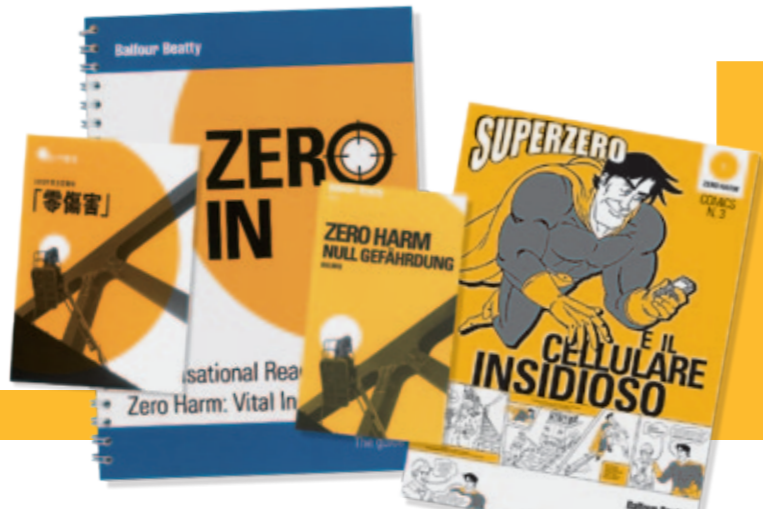
In October 2008, we committed to achieve Zero Harm across all of our businesses: zero deaths, zero injuries to the public and zero ruined lives among all our people. This means no permanently disabling injuries, with each operating company aiming for no accidents and injuries by 2012.

Two years on, Zero Harm thinking is embedded across all our businesses. During 2010, senior Group leaders visited every business to review progress with employees, partners, sub-contractors and suppliers. Each operating company has identified its top five fatal risks and is sharing best practice to reduce and then eliminate them.

During the year, we made some bold risk reduction commitments, such as ending hot work (eg use of grinding and welding equipment) on-site. Over 360 senior managers took part in a programme called Leading Change: Driving the Safety Agenda, honing their leadership skills to deliver Zero Harm in their businesses. With help from leading strategy and risk thinkers we developed a suite of tools called Zero In, to assess organisations' readiness for Zero Harm. Pioneer businesses trialled it in 2010 for Group-wide roll-out in 2011.

Zero In

Zero In, a process and easy-to-use toolkit, was developed to help operating companies build a more informed picture of their organisation in the context of Zero Harm. It aims to identify areas of good practice and achievement, while revealing potential areas for improvement.



Occupational health

We ensure our employees are fit for work and undertake regular occupational health screening. We undertake drugs and alcohol screening and refer any employees who develop work-related conditions onto specialist help. We also support employees' well-being by providing diet and healthy lifestyle information and support.

Our safety management framework and standards

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

Next steps...

In 2011, we will continue to focus on leadership, culture change and risk elimination and, by July 2011, over 600 senior managers will have attended our leadership development programme. We will also launch Zero In across the Group.

Our safety performance in 2010

Very sadly, we experienced five fatalities in 2010, four in the UK and one in Indonesia (compared to three in 2009). Two were due to falls from height; the others to an excavation collapse, an electrocution and crushing by plant machinery. In all cases, we have investigated the causes and are taking action to prevent any future occurrences. Despite our progress and commitment to Zero Harm across the Group, these tragic incidents highlight the need to do more to eliminate risks and shift the culture. We will be re-doubling our efforts to make sure our safety performance doesn't plateau in 2011.

Permanently disabling injuries	Accident frequency rate*	Fines and convictions
2	0.16	Global total: £38,840
2009: 3	2009: 0.17	UK = £25,000
		Eur = €9,796
		HKD = \$11,000
		USD = \$7,000
		2009 global total: £13,400

* per 100,000 hours worked by our employees and sub-contractors

Talent and training

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

We are managing our talent better. We have established training and development programmes at Group and operating company levels. In 2010, we shared our new leadership framework with our leaders and aspiring leaders, setting out the values and behaviours we expect. Our Management Development Programme had another successful year, involving 45 managers from across the Group.

We recruited 380 people to our graduate programme. We were recognised in *The Times* Top 100 Graduate Employers for the first time; Gammon Construction was ranked 54th in Hong Kong's 100 Leading Graduate Employers awards and topped the engineering services sector. We also launched new apprenticeship schemes in north-west England and plan to extend these further in 2011.

We made significant steps towards enabling employees to see vacancies across the Group by launching our first online internal vacancy portal.

Next steps...

In 2011, our newly-recruited director of talent will lead our talent programme. We will continue to integrate sustainability in our leadership framework and appraisal processes, and continue working towards our 2012 appraisal target.

Leadership development programme

Launched in 2010, our Leading Change: Driving the Safety Agenda programme aims to provide new perspectives on how we manage change in a business environment and features safety as a key element. The programme equips our leaders to achieve these goals in the context of running successful companies. During 2010, 19 programmes were run, attended by over 360 of our leaders globally. We will extend our leadership development programme to the next tier of management over the course of 2011.



Engaging our employees

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

We employed a wide range of activities across the organisation to engage our employees on sustainability. These included training courses and sustainability workshops, employee forums, information campaigns, competitions, opinion polls, podcasts and a LinkedIn sustainability networking group.

We continue to engage with our employees across the world. In the US, in 2010, we were ranked 40th in *Fortune's* 100 Best Places to Work®.

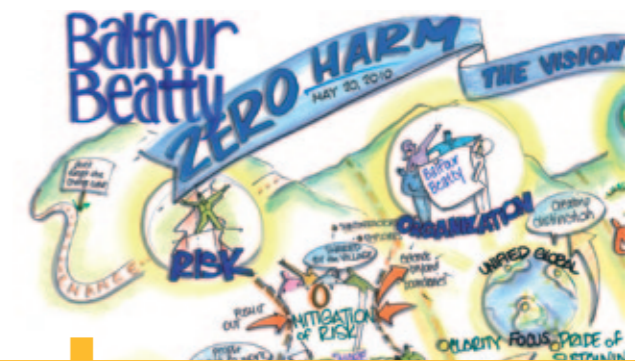
Balfour Beatty WorkPlace nominated sustainability champions and Parsons Brinckerhoff set up Green Teams to engage employees in more sustainable practices.

Next steps...

In 2011, each operating company will continue to implement its own engagement programmes, supplemented with Group initiatives, including poster campaigns, a 2020 vision DVD for use in bid presentations and continued employee engagement, and a new sustainability website to engage employees and other stakeholders on specific sustainability topics and debates.

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

Where can I find more?
Visit our Sustainability hub at:
www.collectiveresponsibility.net



"It has been an eye-opener for me. It challenged me to look at things differently and exceeded my expectations."

Maxine Wheldon
Human Resources Director, Mansell

Our supply chain

Our roadmap recognises the critical role of our supply chain in helping to make Balfour Beatty a sustainable business. Effective engagement gives us an opportunity to innovate for more sustainable outcomes and achieve our Zero Harm vision.

In 2010, we made good progress in transforming the way we assess, engage and deliver sustainability through our procurement teams and supply chain partners.

We worked with UK government and private sector organisations to help develop thinking on a voluntary supply chain programme for sustainable procurement. This work will be continued by the Cabinet Office Efficiency and Reform Group in 2011.

A significant proportion of our supply chain management is devolved to our businesses. Many hold regular 'Meet Balfour Beatty' days and supply chain conferences to communicate our Zero Harm and sustainability visions. We use assessment tools such as Exor and Achilles to review suppliers' performance in areas such as safety, sustainability and ethics.

Recognising the importance of procurement in driving change, we have set up a sustainable procurement group to give our procurement professionals support from our sustainability experts. The Group developed a sustainable procurement toolkit in 2010.

Sustainable procurement as a Group

A Group-level strategic review, undertaken in late 2009 with consultants PricewaterhouseCoopers, developed a plan for more effective procurement: the Group Aggregation of Common Expenditure (Project GrACE). Sustainability, Zero Harm and values were built into the project from the start.

GrACE identified our key strategic spend categories, which range from concrete to cable, travel and office supplies. We ran a sourcing exercise for each category and put Group frameworks in place with market-leading suppliers. These reduced our costs while also setting non-financial standards in areas such as safety, sustainability and ethics.

Cost-saving and sustainability are not incompatible. For example, in office supplies we identified savings of 40% while creating a core list of products more competitively priced than a typical standard range.

We are seeking to reduce air travel by our UK businesses by 20% within five years using a range of tools and techniques developed with the Parsons Brinckerhoff travel practice.

Next steps...

In 2011, our businesses will continue to carry out sustainability assessments as part of their supplier evaluation processes, and to ensure key suppliers are aware of our 2020 vision and how they can contribute.

The sustainable procurement group will continue to develop common processes and guidance, confirm sustainable procurement leads for each UK business and provide them with training, and share best practice across the Group.

A leadership team for procurement will also be established in our newly-formed Construction Services UK division to help embed the GrACE methodology.

Engaging local suppliers, UK

We want to involve local suppliers in all our projects, where we can. So we've held a growing number of 'Meet Balfour Beatty' days, where we invite local businesses to a presentation on project opportunities, followed by face-to-face interviews. Our aim is to build a directory of potential suppliers for buyers from a variety of Balfour Beatty operating companies.

We first used this approach on a schools project for Blackburn with Darwen and Bolton Council in north-west England. A key objective was to ensure that the greatest possible proportion of the money spent by the local authority resulted in local training and employment opportunities. We held meetings with 300 local organisations, and half went on to tender to become Balfour Beatty suppliers.



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

Samantha Dunn
Head of Sustainable Supply Chains, Cabinet Office

Community engagement

We want to contribute positively to local people's lives wherever we work – not simply through the lasting infrastructure we leave for the public, but in our wider contribution to those communities. Investing in local communities is motivating for employees and helps us to make a lasting contribution to society.

Our Code of Conduct explicitly commits us to respect the communities around us. We appreciate the legitimate interests that local communities have in the way we do business. And by engaging with them early and consistently, we can identify ways to deliver additional value through our projects.

This matters to our customers, too. Increasingly, they want to see evidence of involvement with local communities in bid documentation. Delivering projects with community benefits, such as providing local training and employment opportunities, is a key differentiator in winning many public sector contracts.

By engaging local people in our projects early, we learn from their knowledge. Consultation often involves leaflet drops, project websites, communication via social media

and community discussions or exhibitions. Our larger projects have permanent community relations staff to build relationships and a sense of ownership with individuals and organisations.

All our corporate community investment is focused on disadvantaged young people. The programme has three pillars: sponsoring the London Youth Games, The Balfour Beatty Charitable Trust – which has raised over £500,000 in 2010 – and a range of initiatives in support of our regional and local operations.

Next steps...

In 2011, we plan to introduce a measurement tool to assess the impact of our community investment and ensure it achieves tangible benefits. We also aim to increase our corporate-level investment and involvement beyond the UK and US to areas including the United Arab Emirates, Australia and Hong Kong.

Where can I find more?

Visit our Sustainability hub at:
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Giving a city street the kiss of life, US



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

Jamie Price
Senior Project Manager
Parsons Brinckerhoff



Some streets are destinations. Others are just roads to cross. In Denver, Colorado, 14th Street links cultural and civic amenities including the Center for Performing Arts, the Convention Center, historic Larimer Square, hotels and new buildings worth hundreds of millions of dollars. But it lacked cohesion or a sense of place. The city wanted to change that. But how?

We proposed a \$14m makeover – making 14th Street a front door to the city and downtown's cultural centre. But first we had to build stakeholder consensus. We worked with all the local commercial interests to agree what support they would contribute.

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

This helped us with the critical first step – mobilising the capital. In the end, the city authorities brought the first \$10m to the table, and the general improvement district added \$4m and agreed to fund the annual maintenance. Construction is now underway.

ENVIRONMENTAL LIMITS

Improving our own performance in areas such as carbon and waste reduction will reduce our costs. As customers increasingly consider environmental performance – from carbon footprints to ecology – in their purchasing decisions, a leadership position will give us competitive advantage. And, in doing this, we'll make better use of our planet's finite resources.



Take the green train

Italy

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

What we did

High-voltage electrical equipment has traditionally used sulphur hexafluoride (SF₆) as an insulator. But SF₆ is a greenhouse gas that's almost 24,000 times more damaging than CO₂. And, over the lifecycle of equipment, it leaks into the atmosphere. For the new high-speed Bologna-Florence line we put forward an alternative air-filled design that met environmental goals without breaking the budget. It was a first in Italy, and has now been adopted on other high-speed lines.

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

Trams are increasingly popular for urban mass transit, but aren't so popular if rail wear leads to noise pollution. We tackled this problem in Milan with technology we'd already used successfully in the UK and Germany.

The impact

The SF₆-free switchgear prevented potential greenhouse gas emissions equivalent to 450 tonnes of CO₂, effectively offsetting a year's emissions from our Italian rail business's entire plant and vehicle fleet.

Our redesigned transmission lines reduced visual impact, electromagnetic fields and impact on birdlife. The low-profile pylons also used less steel and concrete to build.

Our track lubrication technology cuts rail wear, maintenance costs and noise. And because it uses biodegradable oil, it also minimises ground contamination risks.

"Our engineering team successfully eliminated the use of sulphur hexafluoride (SF₆), the most powerful of all the greenhouse gases."

Giuseppe Ghilardi
Head of Engineering,
Balfour Beatty Rail Italy



Energy, carbon and climate change

As well as reducing our own energy use and carbon emissions, we see huge market opportunities in helping customers to reduce their carbon footprints, build new low-carbon infrastructure and protect existing infrastructure from the impacts of climate change.

Measuring and reducing our impacts

We measure and report our emissions of greenhouse gases (CO₂ equivalent) as direct emissions (Scope 1), indirect emissions from electricity use (Scope 2) and indirect emissions from employee business travel and the building materials we purchase (Scope 3).

We continue to strive to reduce our carbon emissions from our own buildings, project sites and transport fleets. We are also reducing the carbon embodied in the materials we use – for example, by replacing aggregates with recycled materials, car tyres or pulverised fuel ash from power stations.

In 2010, we established our global baseline for our carbon emissions (see table below). Our carbon emissions relative to revenue from our vehicles, plant and buildings were 42.8 tonnes equivalent CO₂/£m, (2009: 36.3 tonnes/£m). Absolute emissions of equivalent CO₂ increased to 472,200 tonnes (2009: 399,700 tonnes restated).

Climate change adaptation

Some climate change impacts are unavoidable due to greenhouse gases already in the atmosphere. Increasing temperatures will affect material durability; higher rainfall and more intense storm events will bring more flooding. We need to consider these risks when designing and constructing to protect the value of our customers' assets and the assets we invest in.

Parsons Brinckerhoff, a recognised leader in climate change adaptation, is working on major studies for the US and Australian governments. Our adaptation strategy for the UK Highways Agency is now being used as an example around the world and will be used to develop best practice in Balfour Beatty too.

Next steps...

During 2011, we will launch a toolkit of practical adaptation responses that our designers and engineers can use in their work. We will continue to work on delivering our goal of a 10% carbon reduction by the end of 2012 and a 50% reduction by 2020 against a 2010 baseline.

We will develop a carbon calculator to extend our understanding of Scope 3 carbon impacts beyond our civil engineering and highways to buildings.

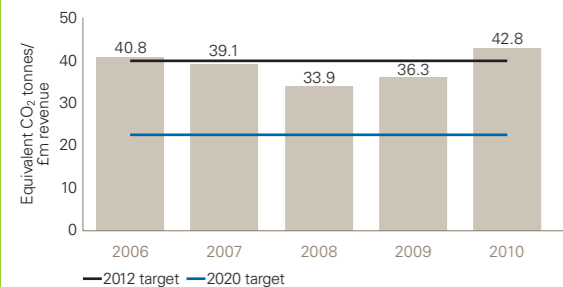
Where can I find more?

Visit our Sustainability hub at: www.collectiveresponsibility.net

Environmental impact baselines

2010 was the first year we have been able to set a global baseline for our environmental impacts. As our data collection systems have improved, and our understanding of these impacts has grown, we have reported increases in our carbon emissions, water and waste. Our challenge, and opportunity, is to reduce these impacts and achieve the 2012 targets in our sustainability roadmap.

Global carbon emissions, equivalent CO₂ per £m revenue (excluding air travel data)



Helping US Army families use less energy, US

During 2010, we completed a pilot project helping military families on Travis Air Force Base in California to cut their personal energy use. We gave them personalised coaching and rewards, together with in-home energy monitors to identify where energy was being used. As a result, they achieved energy savings of 18%.

"Balfour Beatty is supporting the Live Army Green initiative to help the US Army reduce its energy consumption by 20%."

Jeff Bailey
Staff Sergeant, US Army



Recycling waste glass into new roads, UK

We saved £200,000 by using 13,000 tonnes of recycled glass bottles and jars on our A3 Hindhead tunnel/road project in 2010. The glass sand was used as a replacement aggregate for road base, drainage media and roofing on service buildings. We saved a further £20,000 by replacing traditional concrete kerb drains with recycled polymer-based units.



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

Lynn and William Broadhurst
Hindhead residents, UK

Materials

Sustainable materials management reduces costs as well as environmental impacts. In 2010, 75% by value of the timber we procured directly came from recognised, responsible sources – and we have now extended our responsible-sourcing practices to include our other major construction materials.

The construction industry consumes some 40% of the earth's resources. Growing demand could adversely affect the future availability and cost of natural materials. Being a leader in responsible sourcing of materials helps differentiate us in the marketplace and using recycled and alternative products can help reduce project costs.

We continue to procure timber from recognised sustainable sources, including those certified by the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forestry Certification (PEFC). Our target is 100% from responsible sources by 2012.

For the first time in 2010, we extended our data collection to track the sourcing of other major construction materials such as aggregates, concrete and steel. Our 2012 target is 25% (by value) from responsible sources worldwide where such schemes exist. In 2010, we achieved 19%.

Engaging our supply chain on responsible sourcing will be a key element in delivering a more sustainable Balfour Beatty.

Next steps...

As we work towards our 2012 targets, we will continue to identify responsible-sourcing schemes for materials, to extend reporting to more businesses, and to encompass a wider range of construction materials in the UK and possibly elsewhere.

Waste

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

Waste disposal is a significant and rising cost. Reducing waste can differentiate us in the marketplace, helping us to reduce project costs and meet customers' desire for lower environmental impacts.

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

We continue to seek opportunities to reduce, re-use, recycle and recover waste (including energy recovery) and to use recycled materials where possible. A decade ahead of our 2020 target, we have already achieved our first zero waste to landfill project, on our A46 road contract in the UK.

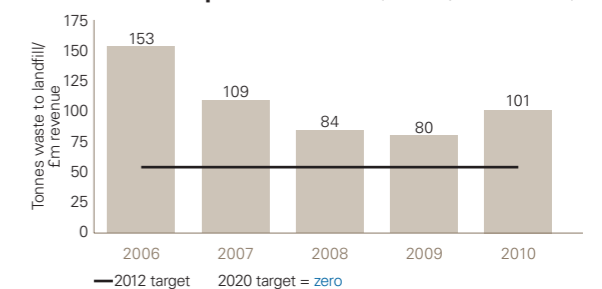
To drive re-use of waste we have also set a target of at least 25% of our major materials coming from recycled sources by 2012, where we specify the material. Major materials include concrete, aggregates, steel, aluminium and copper. During 2010, we achieved a 3.4% recycled content in the major materials we procured globally. This figure increased to 10% in the UK.

Next steps...

Developing good quality data for tracking the recycled content of our major materials will be important in 2011. We will continue to focus on our 2012 goals of halving waste to landfill per £m revenue against a 2010 baseline of 101 tonnes of waste to landfill per £m revenue, and of achieving a minimum of 25% recycled content of major materials (by value).

Waste to landfill

Global waste disposed to landfill (tonnes/£m revenue)



Water

Almost half the world's population will be living in areas of water scarcity by 2030. Delivering sustainable water solutions is a growth market and we want to take a lead by developing a water footprinting tool in 2011.

Our own water use represents an operating cost as well as an environmental impact. And we see growth opportunities from integrated service offerings in water desalination, treatment and distribution; urban water run-off collection; and detection and repair of water leaks.

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

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

To help co-ordinate our worldwide capabilities, we established an international water forum in 2010.

In 2010, we consumed 2,573,000m³ of water compared to 2,101,000m³ in 2009.

Next steps...

We will continue working to reduce direct use of water per £m revenue by 10% by 2012 against a 2010 baseline of 233.3 m³/£m revenue.

The water embodied in the materials we use or consume is likely to be much larger than our direct consumption. In 2011, we will develop a footprinting tool to help us determine where reductions can best be made. We believe this will be a sector first.

Recycling wastewater for industry, Australia

Long periods of drought prompted Western Downs Regional Council to build a wastewater recycling plant that produces water for industrial use in the town of Dalby in Queensland, Australia. Parsons Brinckerhoff provided design and project management services, winning a 2010 award for innovation from the Institute of Public Works Engineering.

Ecology

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

Infrastructure can significantly impact on the natural environment and some of our operations work alongside sensitive ecological areas. In addition to reducing our impacts on ecological resources, we can actually enhance these resources through better design, development and management on our projects and across our own estate. Delivering projects with a net ecological gain will help differentiate Balfour Beatty in the marketplace.

We plan measures for ecological protection and enhancement project by project.

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

Next steps...

Our operating companies will continue to develop action plans to protect ecological resources and habitats identified in their projects and own premises by 2012.

Where can I find more?

Visit our Sustainability hub at:
www.collectiveresponsibility.net

Ecological enhancements deliver healthy communities, UK

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

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

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



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"I have come to believe that sustainability is a conversation we can all get involved in and not just limited to those with sustainability in their job title."

Rachael Voss
Commercial Administration Manager,
Mansell, UK

**Want more details?
Want to share your views?**

We want to share our sustainability thinking, goals and performance openly with our stakeholders. On our new dedicated sustainability website at www.collectiveresponsibility.net you can find a wealth of information on our vision, roadmap and policies, together with detailed accounts of our performance and case studies to give you a fuller picture of how we are building a more sustainable business.

You will also find a forum for discussion, debate and sharing best practice. We encourage and welcome dialogue on all areas of sustainability – so please visit www.collectiveresponsibility.net to give us your feedback on this report, or any of the issues raised in it.



“In 2010, I travelled to Swaziland with a team of Balfour Beatty employees to deliver a project which provided clean water to local communities. Seeing at first hand how people there managed on so few resources was a real eye-opener. It really brought home the message that we should all live within environmental limits.”

Hannah Burchell

Marketing and Submissions Manager,
Balfour Beatty Construction Northern, UK

To read more about what our people have to say about sustainability, go to:
www.collectiveresponsibility.net

