



**Balfour Beatty**

Safety, Environment and Social Report 2003



**Balfour Beatty** is a leading engineering, construction and services group serving the international markets for rail, road and utility systems, buildings and complex structures.

Our aim is to create shareholder value by providing value-added engineering, construction and service skills to customers for whom infrastructure quality, efficiency and reliability are critical.

We operate in four business sectors:

- Building, Building Management and Services
- Civil and Specialist Engineering and Services
- Rail Engineering and Services
- Investments and Developments

We are committed to customer satisfaction, first-class service, safety and a responsible approach to the environment. A predominant and growing proportion of our revenues derives from large-scale public infrastructure creation and care, and private sector asset upgrade and maintenance. [www.balfourbeatty.co.uk/bbeatty/responsibility](http://www.balfourbeatty.co.uk/bbeatty/responsibility)

## Financial highlights of the year

	2003	2002
Turnover	<b>£3,678m</b>	£3,441m
Operating profits*	<b>£161m</b>	£149m
Pre-tax profits*	<b>£130m</b>	£118m
Earnings per share*	<b>20.6p</b>	16.1p
Dividends per ordinary share	<b>6.0p</b>	5.4p
Exceptional items	<b>£5m</b>	(£9m)
Net cash	<b>£124m</b>	£67m

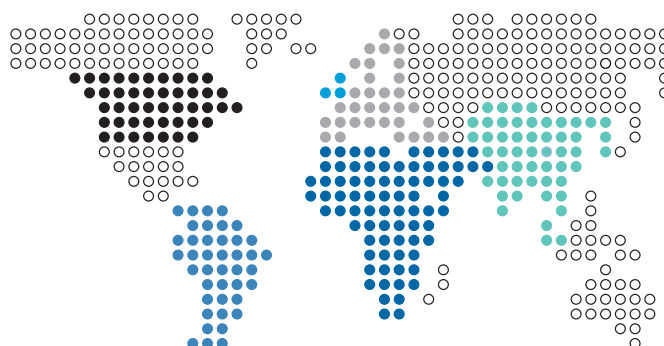
\* Before amortisation of goodwill £17m (2002: £21m) and exceptional items

## Highlights of the year

- Pre-tax profits\* up 10%. Earnings per share\* up 28%
- Strong cash position and excellent operating cash flow
- Total ordinary dividend increased 11%
- Order book of £5.8bn, much of it in long-term contracts
- Two London Underground PPP concessions reach financial close
- Four other PPP projects also converted to contract
- Acquisition of Mansell, a leading UK construction and construction services company

## Sales by geographic destination

- UK **£2,749m**
- USA **£476m**
- Africa, Middle East, Near East **£68m**
- Europe **£268m**
- Asia Pacific **£114m**
- South America **£3m**





**We build and operate for the long term.** The Balfour Beatty group of companies is involved in projects which directly improve the lives of people and their communities – from hospitals to roads, from railways to water management.

We consciously build the principles of sustainable development into all aspects of our business. This means doing business with integrity, including aspiring to the highest standards of safety and health for our people, managing our environmental impacts and being committed to delivering on our full range of social responsibilities.

It means respecting the interests of all our stakeholders, both those we work with directly – shareholders, employees, customers and suppliers – and with groups in wider society. Understanding their expectations is critical to our future as a business.

We are an international company with operations in over fifteen countries. This report covers our health and safety record in all countries, together with environmental and social data for the UK. We plan to extend the scope of our data over time to give a full picture of our impacts.

This report is a summary of our position for the calendar year 2003. It includes some data from joint venture activities; for further details please go to [www.balfourbeatty.co.uk/bbeatty/responsibility](http://www.balfourbeatty.co.uk/bbeatty/responsibility)

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**Chairman's Introduction** Our management of non-financial issues and the positive development of our relations with all of our stakeholders are increasingly important. I and the Board are determined that we will continue to improve standards across all our businesses.

This is Balfour Beatty's third Safety, Environment and Social Report and the first since I became Chairman in May 2003. We firmly believe that sound and progressive management of our non-financial performance is just as important as the quality of our financial decision-making and stewardship in ensuring that our growth is sustainable in the long term.

Last year, my predecessor, Viscount Weir, was able to report improved performance in all of the Group's most important business areas. These included not only further improvements in profitability and shareholder value, but also increasing measurement and management of our environmental impacts, increasingly close attention to health and safety issues and a more coherent approach to all aspects of our social responsibilities and stakeholder relations.

My personal commitment to both the principles and practices of corporate social responsibility informed my approach to the chairmanship of BOC Group and, more recently, of Premier Oil. You can expect the Balfour Beatty Board to focus on these issues even more closely in the future. I will continue to take personal responsibility for this as Chairman, as well as via the Business Practices Committee, which I have chaired since it was set up in 2001.

We place increasing emphasis on the external evaluation of our progress. Recent feedback from independent sources has confirmed that our governance processes, our values, our objectives and policies and our management and measurement systems are good and improving.

While we will continue to seek improvement in these areas, I believe that our next major task is to make the behaviour required by our values and systems common currency throughout the Group at every level. To this end, the key messages of this report will be communicated more vigorously inside the Balfour Beatty Group this year.

You may rest assured that making further progress on safety, environmental and social issues is a priority for us. Our record is, I believe, a good one, but we have not lost our hunger for improvement.

A handwritten signature in black ink that reads "Sir David John". The signature is written in a cursive style and is positioned above a horizontal line.

**Sir David John**, Chairman





"I believe that our record of progress in safety, health, environment and social issues in 2003 is good. We owe thanks to our people who increasingly are making this agenda their own as we work to improve further our systems and practices."

**Mike Welton**  
Chief Executive

**Chief Executive's Review** I believe that we have clearly established, both within and outside the Balfour Beatty Group, that we are committed to the challenge of operating sustainably, to fulfilling all of our corporate responsibilities and to communicating openly about our performance.

#### Safety and Health

Our determination to achieve continuous improvement in the safety of our people at work resulted in a 17% fall in accident frequency rate during the year. 12 of our operating companies achieved the target of zero fatalities and a 10% reduction in accident frequency rate in 2003. Very regrettably, the number of fatalities increased to 10 in 2003. As always in these cases and with all other serious incidents, we undertake a very detailed Board-level review and improve our processes and practices accordingly.

We have further developed our processes to measure our performance in occupational health, focusing attention on those health hazards relevant to our business. These include noise, vibration, manual handling and contact with asbestos.

Once again, we commissioned thorough independent audits of our safety management systems. A new incident recording and analysis system, Tr@ction, is being introduced across the Group to help develop appropriate management action in the future.

#### Environment

2003 was the second year in which we measured our main environmental impacts in the UK. We've used Global Reporting Initiative (GRI) guidelines and other independent standards to inform our choice of metrics. As we build trend data, our capacity to manage our environmental impacts will improve significantly.

For the fourth successive year, we independently benchmarked our UK operating companies on environmental management and practice. This exercise was also extended to all our overseas businesses for the first time. We participated, for a third year, in the Business in the Community Environment Index. Once again, I am pleased to report that we recorded significant progress on all key performance measures.

#### Social Issues

We made significant progress during the year in developing our policies and practices in respect of social issues. We have reviewed our policies and performance on human rights using external consultants and consequent revisions to our existing policy will be finalised shortly.

We have begun the development of appropriate codes of practice to ensure that we clarify what we expect of our staff when they deal with our key stakeholders. We have created a new policy for charitable giving which is now in the process of being introduced. And we have decided on the key metrics which we will use for measuring our social performance in future years.

#### The Future

Over the past few years we have done a lot to improve our performance in all areas of corporate social responsibility. Our priorities now are to communicate the importance of further progress to all our people; to involve them even more closely in working towards our objectives; to extend our principles further into our supply chain, our partnerships and, where possible, to our customers; and to make sustainability a core part of the way we operate. These are challenging aims but I believe we can achieve them.

**Mike Welton**, Chief Executive



“Sustainable development is central both to my own approach and to that of the company. It is a simple and powerful way of doing business that treats our economic, environmental and social impacts as a unified whole.”

**Sally Brearley**  
 Director Safety,  
 Health and Environment

**Sustainable Development** is about progress which does not damage the opportunities of future generations – about protecting the needs of the present without compromising the ability of future generations to meet their own needs. [www.balfourbeatty.co.uk/bbeatty/responsibility/development](http://www.balfourbeatty.co.uk/bbeatty/responsibility/development)

**Sustainable Construction**

In 2002, we explored the key role that the construction industry has to play in the quest for a sustainable future. The industry has an opportunity to transform the way that infrastructure is created, by rethinking the way it designs and uses resources to create and maintain assets that meet the needs of society.

Key concepts are partnership and innovation. By engaging with customers, end-users and local communities, a shared understanding of the needs and impacts of schemes can be created, alongside a view of what is technically possible and affordable.

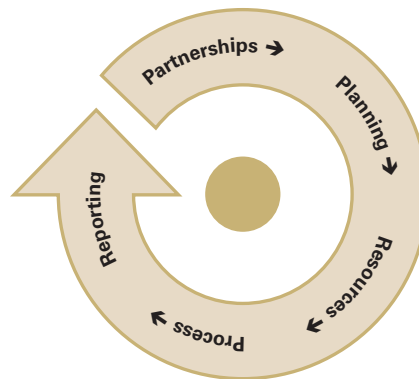
**Our Aims**

One phrase summarises our basic approach – doing business with integrity. This means that we aim to:

- create shareholder value through meeting customer expectations;
- ensure the safety and health of our workforce and others;
- engage with communities and those affected by our activities; and
- protect the environment.

Our normal activities already incorporate many aspects of good practice and contribute to sustainable development. But building on this and integrating it into all our activities will be critical to our future success. To attract high calibre employees, win prestigious and demanding contracts, thrive financially, and maintain the confidence and support of our shareholders and non-executive Directors, we need to be sustainable. There is no other way.

**Our Approach – the 3P2R Sustainability Model**



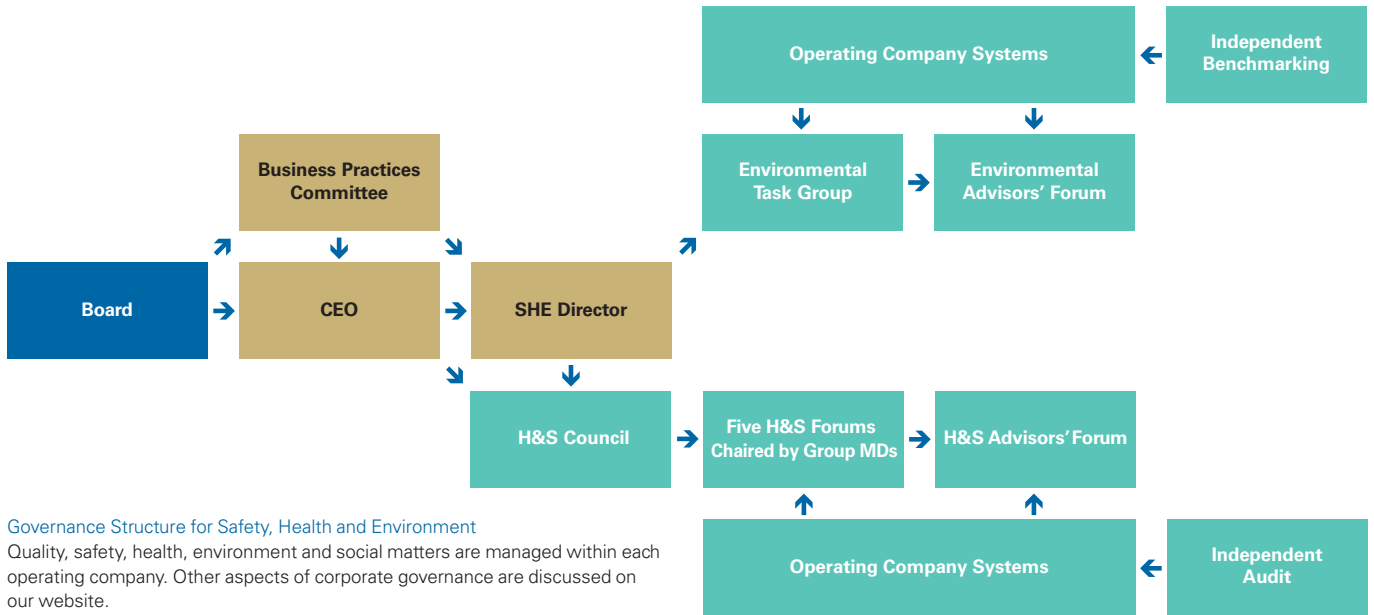
We have developed our approach to integrate sustainable development into all our projects. It has five elements that flow through the lifecycle of a project.

**Progress**

During 2003, we continued to share and promote sustainable development throughout the Group.

- Our core briefing on sustainable development has been cascaded further into our operating companies.
- We reviewed progress and shared ideas at our regular Task Group.
- Balfour Beatty Capital Projects completed a wide-ranging and ground-breaking review of the implications of sustainable development for our PFI business.
- Our projects have continued to reflect the principles of sustainable construction wherever possible.
- We have continued to support a young engineer to participate in the second phase of the 'Engineers for the 21st Century Inquiry'.

During 2004 we will encourage greater understanding and awareness of sustainable construction among our workforce, our customers and suppliers.



**Governance and Management Systems** We have clear principles and policies which apply to all our businesses and employees, and well developed management systems to ensure we deliver consistently against them. Managers are responsible for safety, health and environment within their sphere of control. [www.balfourbeatty.co.uk/bbeatty/responsibility/governance](http://www.balfourbeatty.co.uk/bbeatty/responsibility/governance)

**Governance**

The Board sets policy and takes responsibility for Balfour Beatty’s performance in safety, health, the environment, business ethics, risk management, human rights and other social issues. In early 2001, a Business Practices Committee was established to review the Group’s policy and performance in these areas. It meets three or four times a year and comprises six of the Group’s seven non-executive Directors under the chairmanship of Sir David John, our Group Chairman.

The Chief Executive has line management responsibility for these matters and reports on them to the Board and the Business Practices Committee. The Director Safety, Health and Environment reports to the Chief Executive and also provides regular reports to the Committee.

**Principles**

Balfour Beatty’s ‘Company Principles’, first produced in 1986, provide an overall framework for the management of the Group’s corporate social responsibilities. We review them periodically and revise them when necessary.

**Policies**

Balfour Beatty has clearly stated policies for a number of important non-financial issues which set out how we expect our people to act. These cover risk management, health, safety, the environment, ethical business practices, human rights, drugs and alcohol and whistleblowing. Within this overall framework, operating companies are encouraged to develop specific policies and practices relevant to their particular circumstances.

**Management Systems**

The Group-wide risk management framework provides a common management system for identifying risks of all types, including reputational, and for agreeing control measures. Each operating company, division and project is subject to rigorous risk analysis, evaluation of possible controls and an agreed risk management programme. The major risks are regularly reviewed at the most senior management levels.

Safety and health issues are monitored and reviewed by the Group Health and Safety Council. Each main segment of the business has its own Health and Safety Forum, chaired by a Group Managing Director. Each operating company nominates a director to champion Health and Safety and has its own Health and Safety advisors and management arrangements. We require formal safety management systems that are subject to external audit.

Environmental, safety and health issues are routinely reviewed at the Business Practices Committee. Environmental issues are monitored and reviewed at the Environmental Task Group, made up of representatives of the operating companies under the chairmanship of the Director Safety, Health and Environment. Each operating company has a nominated board director with environmental responsibility and has its own environmental management arrangements. We aim to achieve ISO 14001 or its equivalent in all of our operations and to audit and benchmark performance regularly.

We have a clear framework of guidance within which our operating companies take responsibility for other issues, including customer, supplier and local community relations.

# Safety and Health

Preventing injury and ill-health, and maintaining a first-class safety and health culture are key objectives of our business. Caring for the safety, health and well-being of our employees and everyone affected by our activities is of critical importance to us.

[www.balfourbeatty.co.uk/bbeatty/responsibility/safety](http://www.balfourbeatty.co.uk/bbeatty/responsibility/safety)

Buried services such as pipelines and cables for gas, water and electricity can pose a major hazard in many of our projects.

Our safety systems and processes ensure that these risks are identified before work begins.



## SAFETY: PERFORMANCE AND TARGETS

2003 targets	2003 status	2004 targets
<ul style="list-style-type: none"> <li>Zero fatalities</li> </ul>	<ul style="list-style-type: none"> <li>3 fatalities: UK</li> <li>2 fatalities each: Germany and Turkey</li> <li>1 fatality each: Indonesia, USA and Dubai</li> </ul>	<ul style="list-style-type: none"> <li>Zero fatalities</li> <li>Zero permanently disabling injuries</li> </ul>
<ul style="list-style-type: none"> <li>10% reduction in Accident Frequency Rate (AFR) for all reportable accidents</li> </ul>	<ul style="list-style-type: none"> <li>17% reduction from 0.60 to 0.50</li> <li>UK: 6% reduction from 0.52 to 0.49</li> <li>USA: 7% increase from 0.43 to 0.46</li> <li>Rest of world: 38% reduction from 0.84 to 0.52</li> </ul>	<ul style="list-style-type: none"> <li>Further 10% reduction in operating company AFRs</li> </ul>
<ul style="list-style-type: none"> <li>10% reduction in major injuries</li> </ul>	<ul style="list-style-type: none"> <li>Total: increased from 120 to 154 (partly reflects better reporting by overseas businesses)</li> <li>UK: increased by 8.7% (from 92 to 100), while number of UK workers (direct and indirect) grew by 23.3%</li> </ul>	<ul style="list-style-type: none"> <li>No target set</li> <li>Previous target unsatisfactory as failed to reflect growth in business. Rate of major injuries per 100,000 workers will continue to be benchmarked.</li> </ul>
<ul style="list-style-type: none"> <li>10% reduction in dangerous occurrences</li> </ul>	<ul style="list-style-type: none"> <li>Total: 34 in both 2002 and 2003</li> <li>UK: fell by 23% from 31 to 24</li> <li>UK: rate of dangerous occurrences per 100,000 employees improved by 37%, from 86 to 54</li> </ul>	<ul style="list-style-type: none"> <li>No target set</li> <li>Previous target unsatisfactory as failed to reflect growth in business. Rate of dangerous occurrences per 100,000 workers will continue to be benchmarked.</li> </ul>



## Safety

### Our Approach

We take a structured, risk-based approach to managing health and safety, and in 2003 developed new company-wide requirements: 'Balfour Beatty Expectations for Managing Health and Safety'.

Each operating company has well established safety management systems and strives continuously to improve performance. We share good practice across operating companies and consult and involve workers to encourage a positive attitude towards safety.

### Performance

Our two prime indicators of safety performance are the number of fatalities and the Accident Frequency Rate (AFR), ie the number of reportable (major and over three-day) accidents per 100,000 hours worked.

### Fatalities

Regrettably, we had 10 fatalities in 2003: three in the UK, one in the USA, two in Germany and four in the International Businesses. This is unacceptable. Our Chief Executive wrote to every employee worldwide to commit to improvement, and we have begun several programmes to improve our performance.

All fatalities and significant accidents are subject to in-depth investigation. In 2003 we strengthened our investigation process, adopting a more structured approach to identifying causes. The Executive Directors also review each fatality and significant accident. The Chief Executive chairs these meetings. There were nine Board reviews in 2003, with three more scheduled for 2004.

// RCS has made a serious effort to implement a safety culture bringing about real performance improvements. // Paul Jameson, Worcestershire County Council

### Accident Frequency Rate (AFR)

Group AFR was 0.50 in 2003, a 17% improvement on 2002 (0.60).

Our statistics include all accidents reported in our joint venture projects, even where we are minority partners.

Within this overall performance:

- UK operating companies improved;
- US operating companies reported a small deterioration; and
- Overseas companies (excluding the USA) improved.

### Effect of Acquisitions

Absorbing acquisitions with different safety cultures is a constant challenge. To appreciate the effect of acquisitions on our safety performance, we calculated Group AFR excluding businesses acquired since 2000: it reduced to 0.40. Our core business has therefore seen a 22% improvement in AFR since 2000.

### Major Injuries

There were 154 major injuries and 553 over-three-day accidents during 2003 (120 and 601 respectively in 2002). The UK major injury rate per 100,000 employees (direct and indirect) was 224, a 12% improvement, comparing well with the HSE's published norm of 375 for the construction industry.

### Dangerous Occurrences

There were 34 reportable dangerous occurrences during 2003, the same as in 2002. The UK dangerous occurrence rate per 100,000 employees has improved by 37%, from 86 to 54.

## THE HEIGHTS OF SAFETY



Balfour Beatty Sakti (BBS) has been working in Indonesia since 1976. Learning from best practice elsewhere has always been a crucial part of the BBS approach, as Project Manager Andy Wood explains.

"In January 2003 a linesman fell from a tower and later died from his injuries. A full corporate review of safety was launched.

"We learnt that Indonesian best practice was now behind safety practices in the UK," says Andy. "In the UK now the rule is that a fall prevention system has to be in place. The only right course of action for us was to bring our operations up to that standard – and to extend that to sub-contractors as well."

Since September 2003 a full programme of equipment provision, training, and continuous review has been in place on the project. The training has been sensitive to employee concerns and is seen very much as a locally-owned initiative.

"This has been a project driven from Indonesia with the support of our employees and sub-contractors," continues Andy. "Without that we wouldn't get the buy-in and commitment that changing established practice requires. Our starting point is that our practice has to be best practice. Nothing else will do."

**External Benchmarking**

- **UK:** we benchmark our safety performance against the HSE published industry statistics. Our rate for all reported injuries was 1,050 per 100,000 employees (direct and indirect), (1,152 in 2002). This compares favourably with the published HSE rate, 1,171, for the construction industry.
- **USA:** our reported safety performance compares favourably with industry norms. Balfour Beatty Construction (BBC) Inc's total recordable injury rate is 30% better than the US industry average, while the Lost Time Injury Rate is 73% better.
- **Other Overseas:** while overseas benchmarking data are not easily available, we have been able to compare performance in Germany and the Philippines, confirming that our standards are among the best in the regions where we operate.

**Training**

During 2003 we have continued to provide a high level of safety training to all employees across the Group. Full details of training programmes and numbers of training days can be found on our website.

**Awards**

We continue to receive many awards and accolades in recognition of good safety performance both in the UK and overseas. These include 13 Gold and seven Silver RoSPA Awards. Haden Young received its fifth Highly Commended rating in RoSPA's Construction Industry Sector Award.

**Audit**

We subject our safety management systems to both internal and external audit. During 2003, there were 14,694 internal safety audits and inspections, and 270 external audits across the Group.

**Regulatory Activity**

- **UK:** HSE inspectors visit one of our work sites every other day on average. In 2003, HSE served three prosecutions on UK operating companies with two hearings outstanding from earlier years. Three outstanding proceedings remain.
- **USA:** no citations were received in 2003.
- **Other Overseas:** in Hong Kong, Balfour Beatty Civil Engineering (BBCEL) operations were subject to six fines and in Germany, an enforcement notice was received in relation to a rail fatality.

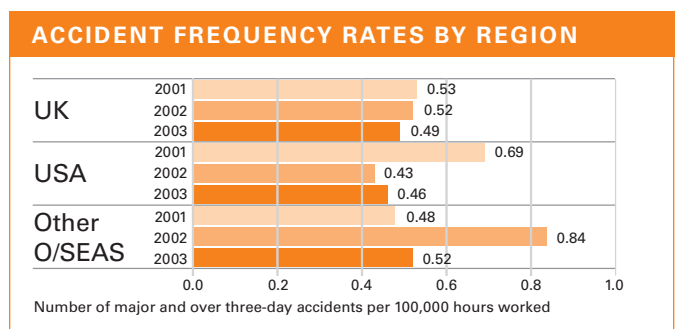
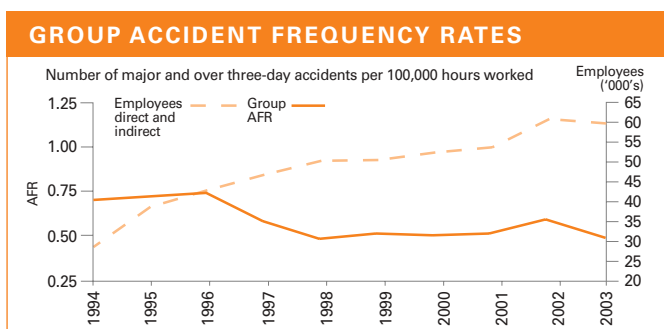
**Key Safety Challenges and our Actions**

Each business identifies its key safety risks and agrees a plan to achieve its safety goals. Common risks are addressed in task groups. Our website discusses several safety issues that we addressed in 2003, including:

- behavioural safety;
- working at height;
- road traffic safety;
- managing sub-contractors;
- PFI Projects;
- employee consultation;
- our R&D programme for railway safety; and
- responding to new UK legislation.

Other elements of our 2003 safety strategy include the following.

- **Health and Safety Council:** we established a Council chaired by the Chief Executive which aims to develop policy, review performance, initiate actions, and share good practice.
- **Health and Safety Framework:** we have formalised our Group-wide framework for managing health and safety.
- **Tr@ction:** in 2003 we acquired a new web-based database system, Tr@ction, to record safety performance. Rollout and training will continue into 2004.
- **Audit Programme:** we have agreed an improved approach to audit, and are undertaking a development programme with DNV.
- **Competency:** we continue to focus on competency certification on all our UK sites.



HEALTH: OBJECTIVES		
2003 objectives	2003 status	2004 objectives
<ul style="list-style-type: none"> <li>• UK: to implement accurate processes for recording and reporting occupational ill-health</li> </ul>	<ul style="list-style-type: none"> <li>• Sickness absence reported for second year. Profile volatile, some doubt on data reliability</li> </ul>	<ul style="list-style-type: none"> <li>• UK: improve reporting further</li> <li>• Overseas: begin to extend our approach</li> </ul>
<ul style="list-style-type: none"> <li>• UK: to establish supportive return to work processes for employees absent for more than four weeks</li> </ul>	<ul style="list-style-type: none"> <li>• Limited progress</li> </ul>	<ul style="list-style-type: none"> <li>• UK: improve further</li> <li>• Overseas: begin to extend our approach</li> </ul>

## Health

### Our Approach

Our aim is to ensure that no one suffers ill-health as a result of our activities. Our operating companies have always addressed specific occupational health conditions, but while we had many examples of good practice, we had no Group-wide picture.

We began to address this in 2002 by reviewing our approach to occupational health and, in the UK, by collating sickness absence for the first time. In 2003 we worked towards managing occupational health systematically, and will continue to do so in 2004. The data collected to date does not yet provide a sound basis for setting quantified targets. We also aim in 2004 to begin to extend our approach to our overseas businesses.

### Profile of UK Occupational Ill-Health 2003

Collating data systematically year on year is an essential first step for developing targets for occupational health. In 2003 we collated data on sickness absence for the second year, but found the overall profile to be volatile, so we will be putting our efforts into obtaining accurate data before setting specific targets.

### Absence

From a UK workforce of nearly 21,500 (64% staff and 36% operatives).

- Average absence (for all reasons) 7.1 days (6.3 days in 2002).
- Less than 1% due to work related ill-health (4% in 2002).
- Around 2% due to work related injury (5% in 2002).

### Nature of Occupational Health

- 42 cases of non-reportable occupational ill-health (more than 400 in 2002), principally stress and musculo-skeletal disorders.
- A number of cases of Hand Arm Vibration Syndrome (HAVS) under investigation.
- Data capture has not been reliable.

### Severity

- Zero (zero in 2002) fatalities due to occupational ill-health.
- 12 (zero in 2002) early retirements due to occupational ill-health.
- 55 (more than 400 in 2002) cases of long-term absence (more than 20 days).
- 90 (86 in 2002) cases of absence of six to 20 days.
- 273 (200 in 2002) cases of short-term absence of one to five days.

### Specific Occupational Health Issues

Listed here are our key health issues and a summary of our actions to address them.

- **Occupational health screening:** 11% of UK employees received screening.
- **HAVS:** a cross-operating company task group has been working for over two years to share good practice and guidance.
- **Manual handling:** we provide effective training for manual handling and are looking at mechanical ways to lay kerbs.
- **Alcohol and drugs:** we issued a new Group policy in 2002 on alcohol and drugs, to address the problems caused by their abuse.
- **Substances harmful to health:** we continue to address the risks from handling and exposure to substances such as cement and chemicals.
- **Asbestos:** our main focus is on maintenance engineers and those workers who might encounter asbestos when demolishing or refurbishing buildings. Our employees receive extensive training, and we operate a strict policy of bringing in accredited experts when we find asbestos.
- **Stress:** we are preparing guidance on managing the work factors that increase stress. Many of our businesses provide access to counselling.

## THE COLOUR OF HEALTH

Hand Arm Vibration Syndrome (HAVS), popularly dubbed 'vibration white finger' is the consequence of using power tools for too long, and the HSE is increasingly concerned about it.

Richard Bailey, the Operations Manager at BALVAC, takes up the story.

"The traditional way to break up defective concrete is to use pneumatic and electric tools. It's noisy and it carries the risk of HAVS. It makes a lot of sense to think of ways of eliminating the need for these tools on a job altogether. So we've been experimenting with hydrodemolition, hydraulic bursting and the use of robots.

"That's great, but we have to be realistic. Hand-held power tools can't be completely written out of the equation. We test the kit ourselves because what the manufacturer says about it can be affected by the day-to-day conditions on our sites."

BALVAC takes the data and sets a Maximum Daily Exposure Limit (MDEL) for each combination of tool and job. That gives them the maximum time in minutes each piece of equipment can be used.



"We back that up by using colour-coding based on the Group risk framework, so that red means up to half-an-hour's use per eight hour shift, up to green for something that can be used for more than two hours per shift."

The system is reinforced by weekly skin checks on site and periodic health screening, with further investigation of any suspected HAVS cases. BALVAC is making sure that good health starts – literally – at the sharp end.

# Environment

We recognise and respect the natural and built environments in which we operate and consider them at every stage of our business process. [www.balfourbeatty.co.uk/bbeatty/responsibility/environment](http://www.balfourbeatty.co.uk/bbeatty/responsibility/environment)

Removal of busy roads and other 20th century clutter from Stonehenge has long been a government objective.

Balfour Beatty is working in joint venture on the A303 road scheme which will deliver an acceptable solution at this World Heritage site.



ENVIRONMENT: OBJECTIVES		
2003 objectives	2003 status	2004 objectives
<ul style="list-style-type: none"> <li>Zero significant environmental incidents</li> </ul>	<ul style="list-style-type: none"> <li>UK: zero significant incidents</li> <li>Overseas: zero significant incidents</li> </ul>	<ul style="list-style-type: none"> <li>Zero significant environmental incidents</li> </ul>
<ul style="list-style-type: none"> <li>Systematically record, investigate and learn from environmental incidents</li> </ul>	<ul style="list-style-type: none"> <li>Improved reporting of incidents</li> <li>New investigation process adopted</li> </ul>	<ul style="list-style-type: none"> <li>Report incidents through Tr@ction</li> <li>Embed investigation process</li> </ul>
<ul style="list-style-type: none"> <li>Continue to embed environmental management in our business</li> </ul>	<ul style="list-style-type: none"> <li>15 (out of 17) UK businesses are ISO 14001 certified</li> <li>Balfour Beatty International plans ISO 14001</li> <li>US businesses increasing engagement</li> <li>European businesses making progress</li> </ul>	<ul style="list-style-type: none"> <li>All UK companies to maintain ISO 14001 certifications</li> <li>Overseas companies to work towards ISO 14001</li> </ul>
<ul style="list-style-type: none"> <li>Further quantify and understand our environmental impacts</li> </ul>	<ul style="list-style-type: none"> <li>Improved reporting of environmental data in UK</li> </ul>	<ul style="list-style-type: none"> <li>Overseas companies to establish processes to record environmental performance</li> </ul>
<ul style="list-style-type: none"> <li>Encourage environmental engagement among our suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Task group developing process to identify environmental and social risks in supply chain</li> <li>Several operating companies improved supply chain management, eg better supplier assessment, suppliers' conferences</li> </ul>	<ul style="list-style-type: none"> <li>Pilot supply chain methodology in UK</li> <li>Further encourage supply chain engagement</li> </ul>



// We congratulate Balfour Beatty for its commitment to transparency and continuous improvement of environmental impacts. //

Jim Haywood,  
Director of Business in the Environment

**Our Approach**

Our overall goal is to prevent harm to the environment from our activities. We strive continuously to improve our environmental performance. Our approach is twofold. We require our UK businesses both to establish environmental management systems, certified to ISO 14001, and to measure and report environmental performance.

We measure the following aspects of environmental performance:

- energy;
- waste;
- water;
- environmental management;
- contaminated land;
- damaging substance use;
- nuisance;
- supply chain;
- biodiversity; and
- ozone depleting substances.

**Highlights**

- Second set of annual environmental performance data recorded in UK operating companies.
- Improved performance in fourth annual benchmarking exercise undertaken by csr network, an independent consultancy.
- Overseas operating companies benchmarked for first time.
- Continued progress in Business in the Environment Index.
- Overseas businesses show increased environmental activity (as evidenced by increased audit and benchmarking results).
- UK relative contribution to global warming decreased slightly (by 2%) to 54.8 tonnes CO<sub>2</sub> per £ million NSV.
- UK general waste reduced by 28% and hazardous waste reduced by 66%.
- One third of UK inert material sent for reuse/recycling; 78% increase in UK metals recycled; 114% increase in UK paper recycled.

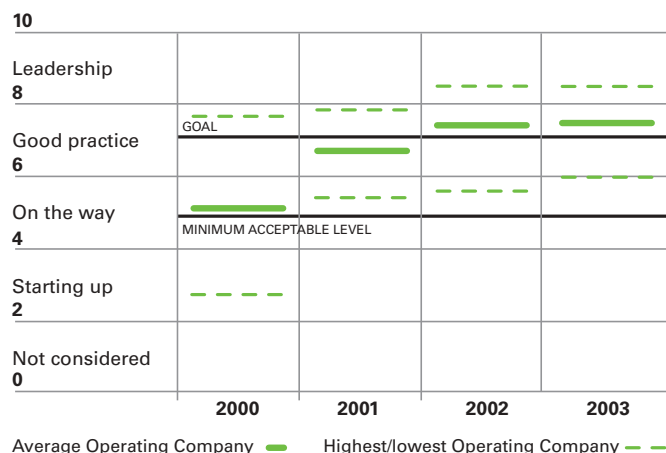
**Internal Benchmarking**

For four years we have asked independent consultants, csr network, to benchmark our UK operating companies' environmental progress. The exercise in 2003 focused on new businesses and those operating companies that had not achieved the target good practice level of 7.0 (out of a maximum of 10). Businesses which had already achieved this target were not included, so the 2003 average results do not reflect any change in their performance.

The results indicate good progress in all those benchmarked. Each year, we have seen progressive improvement in the average score to 7.5 in 2003. This confirms that the vast majority of our UK businesses are operating in the good practice zone, ahead of the target score of 7.0.

For the first time, overseas operating companies were benchmarked to provide a baseline assessment. Several are developing environmental management systems and processes, and one, BBCEL Hong Kong, was estimated to be at the good practice level.

**Benchmarking results, 2000-2003**



**WASTE NOT, WANT NOT**

"Building and maintaining roads generates a lot of waste", explains Luke Bridges of RCS. "And up to now the problem has been that much of it really has to be treated before it can be disposed of."

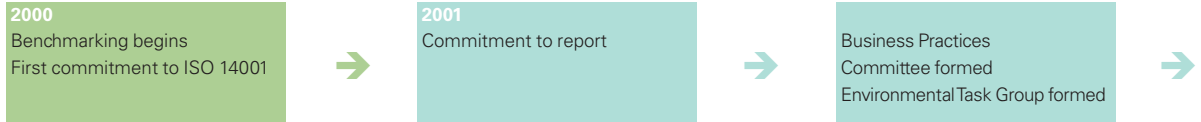
RCS has established a partnership with Hampshire County Council that is tackling the issue. Council-owned depots have been converted to waste treatment centres, licensed to deal with non-hazardous waste such as wood, spoil, and green matter.

"We now have the capability to treat gully waste," adds Luke. "With the water removed, 80% less goes to landfill, for better results. The same goes for aggregates, which we are now recycling. There are specialist companies that we work with to handle metal, green waste and so on."

The aim is for RCS to help Hampshire meet its target of reducing landfill by 40,000 tonnes every year. At the same time, RCS is learning how to manage a fully integrated waste management system that can eventually be applied across all its contracts. With the demanding environmental agenda of today, you might say there is no time to waste.



**Key steps in developing our Environmental Strategy**



**External Benchmarking**

- During 2003 we participated in the Business in the Environment Survey of Corporate Environmental Engagement for the third time. The result was another significant increase in score to 77% (from 60% in 2002 and 45% in 2001). This recognises our overall progress in the environmental area, and places us seventh out of 17 construction sector participants (last year we were 12th out of 16).
- We are also a member of the Dow Jones Sustainability Index 2003.

**Awards**

Our UK businesses received 12 environmental awards and commendations during 2003.

**Training**

During 2003 we have continued to provide environmental training – a total of 2,836 days across the Group (4,832 in 2002) – to ensure that our workers are aware of the environmental consequences of their activities and know how to protect the environment.

After the initial surge of training required to introduce and prepare workers for ISO 14001, we find that environmental awareness can be maintained with fewer days of refresher training. We have also clarified the definition of training (to focus on equivalent days), so invalidating strict comparison between 2002 and 2003 figures.

**Audit**

Audit is a key element of managing environmental risk, providing information for managers as well as assurance for the Board. As well as independent benchmarking, our operations are subject to both internal and external audit scrutiny.

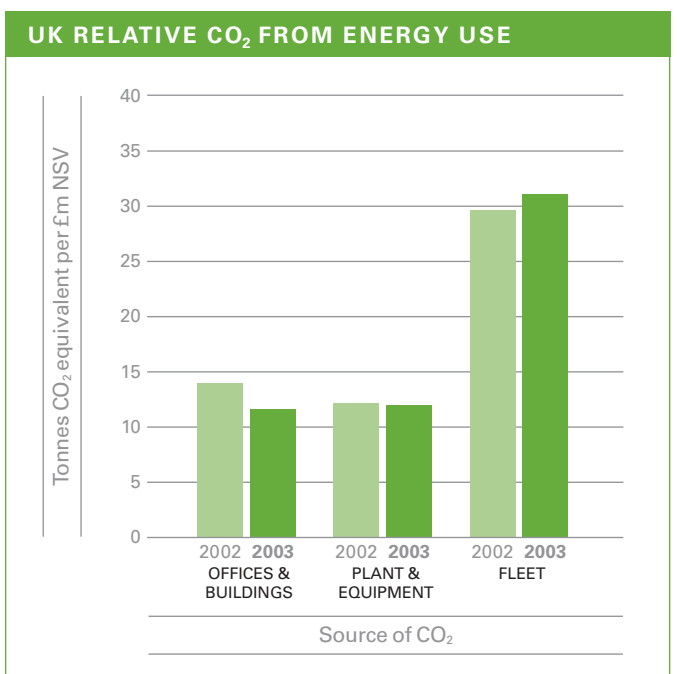
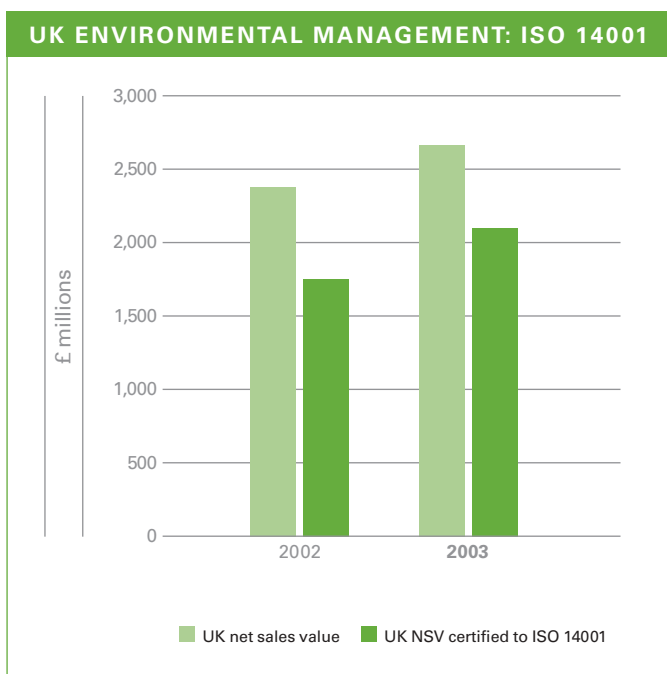
- **Internal audit:** during 2003, 1,047 internal environmental audits were conducted across the Group. The number of audits in our overseas businesses has increased substantially, reflecting their increased awareness of environmental matters.
- **External audit:** 232 audits were conducted by external organisations including clients in 2003, an overall increase of 95%. While external audits have increased by 67% in the UK, our overseas businesses report nearly a threefold increase.

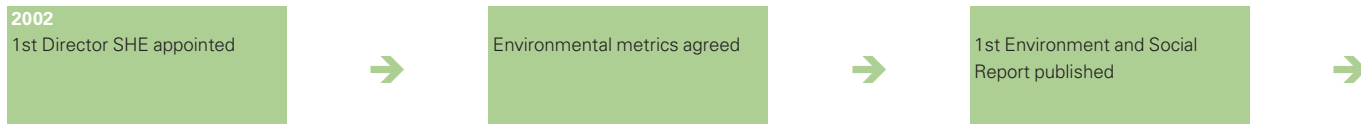
**Incidents**

- **UK:** in 2003, 305 environmental incidents were reported internally (325 in 2002). Of these, 21 were considered to be moderate. The remainder were minor and resulted in either no or little environmental damage beyond our site or operational boundaries.
- **Overseas:** no serious incidents reported.

**Regulatory Activity**

- **UK:** there were 263 visits by enforcement authorities during 2003 (309 in 2002). No prosecutions or fines were imposed either in 2003 or in 2002. Two formal environmental notices and nine warning letters were received in 2003. Environment Agency investigations continue into three incidents relating to waste and watercourse pollution.
- **Overseas:** there were 18 visits by enforcement authorities during 2003 (28 in 2002). There were two overseas prosecutions in 2003: Balfour Beatty Construction Inc was fined \$2,500 in relation to an incident at Croatan Sound; and Dutco/Balfour Beatty was fined Dhs1,000 in relation to waste water from a vehicle washing bay. Two more environmental incidents from previous years in Balfour Beatty Construction Inc remain subject to investigation.





**Key Environmental Challenges and our Actions**

Last year, with our first set of environmental performance data for the UK, we identified our most significant impacts to be:

- energy usage, especially fuel for our vehicle fleet and plant, and heating in our offices;
- waste, particularly inert material and general waste; and
- incidents, dominated by minor spillages and complaints.

**Energy and Global Warming**

Our overall goals for energy are:

- progressively to reduce our global warming impact through managing our own energy usage;
- to work with customers and suppliers to create and manage energy efficient infrastructure; and
- to choose appropriate and efficient energy sources (prioritising renewable sources where appropriate).

**Quantifying performance**

Energy consumption was split into energy used in buildings, energy used by plant and energy used by our vehicle fleet.

Energy data for each category was collected via measured sources where possible, or calculated using cost data, information provided from bills or pro-rata assessments.

Our total UK contribution to global warming in 2003 was 145,533 tonnes (133,000 tonnes CO<sub>2</sub> equivalent in 2002). This does not include the CO<sub>2</sub> contribution from SF6 purchased by Balfour Beatty on behalf of customers. There are no other significant sources of global warming.

To deliver our goals, we set ourselves three objectives for 2003/4.

2003 objectives	Comments
<ul style="list-style-type: none"> <li>• Reduce car fuel consumption per £million NSV by 5% by end 2004</li> </ul>	Good progress <ul style="list-style-type: none"> <li>• Significant shift to diesel with lower relative fuel consumption</li> </ul>
<ul style="list-style-type: none"> <li>• Investigate options for improving energy efficiency in temporary site buildings by end 2003</li> </ul>	Achieved <ul style="list-style-type: none"> <li>• Review of options, costs and benefits completed</li> <li>• We will encourage the businesses to pursue this further in 2004</li> </ul>
<ul style="list-style-type: none"> <li>• Review with customers opportunities to reduce use of CFCs and SF6</li> </ul>	Achieved <ul style="list-style-type: none"> <li>• Purchases of CFCs and SF6 down by more than 50%</li> </ul>

**Conclusions and objectives**

In 2003 we have:

- reduced the energy contribution from buildings in terms of CO<sub>2</sub> equivalent;
- reduced significantly our purchases of CFCs and SF6, mainly on behalf of customers; and
- recorded an increase in diesel usage in plant and fleet, which we will explore and seek to optimise.

During 2004 we will continue to work towards energy efficiency and reduced global warming contribution from our activities. We will take further our review of energy efficient site cabins and will investigate how our fleet energy efficiency can be improved while still meeting business needs.

**LETTER FROM AMERICA**

The new Oak Ridge National Laboratory in Tennessee is a \$55 million project which includes facilities for the fastest supercomputer in the world to be used by the US Department of Energy. Balfour Beatty's subsidiary, Heery International, provided the architectural and interior design, as well as structural and civil engineering for this nationally important project.

"This is a project with the highest requirements," says Glenn Jardine of Heery. "Not only do we have to fulfil stringent operational and security criteria, but the building had to be as environmentally friendly as possible. Energy conservation was a must."

The development covers six acres. Energy use is being reduced by nearly a third through a series of imaginative and innovative design features. The list is impressive: reduced east and west glass, a light coloured roof, high performance glass, south facing solar shading, efficient mechanical system design and layout, high-efficiency mechanical equipment, heat recovery, lighting controls, efficient lighting layout and design, and a high efficiency central plant.

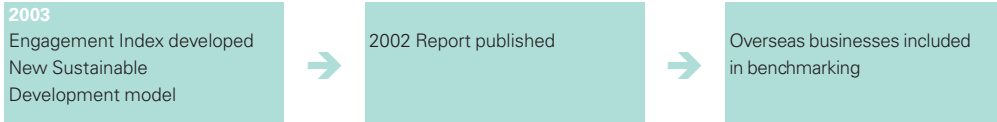
Designated green power electricity is purchased from the Tennessee Valley Authority.



"We've designed the project to apply for LEED (Leadership in Energy and Environmental Design) certification by the US Green Building Council," adds Glenn. "Attention to detail has been the key here: half the materials used are recycled, and up to half of the construction waste too."

As a final touch, bike racks and showers have been added to encourage cycling to work. Not only will US energy scientists help the environment – they'll be fitter too.

**Key steps**  
continued



**Waste**

Our overall goals for waste are:

- progressively to reduce waste generation;
- to encourage recycling opportunities taking into account the status of local markets; and
- progressively to reduce disposal of waste directly to landfill.

To deliver these goals, in 2003 we set ourselves the following objectives:

2003 objectives	Comments
<ul style="list-style-type: none"> <li>• Consider our approach to significant reduction in the generation of hazardous waste on site</li> </ul>	<p>Good progress</p> <ul style="list-style-type: none"> <li>• UK hazardous waste reduced by 66% from 7,931 to 2,688 tonnes in 2003</li> <li>• Tends to arise from removal of contaminated land for customers and is dependent on mix of projects won</li> </ul>
<ul style="list-style-type: none"> <li>• Increase quantity of waste sent for recycling by 20% by end 2004</li> </ul>	<p>Good progress in 2003</p> <ul style="list-style-type: none"> <li>• Metals recycling increased by 78%</li> <li>• Paper recycling increased by 114%</li> <li>• One third of inert material sent for reuse/recycling</li> </ul>
<ul style="list-style-type: none"> <li>• Improve measurement of inert material removed from site by end 2004</li> </ul>	<p>Good progress</p> <ul style="list-style-type: none"> <li>• Better recording and reporting, resulting in credible estimate of 609,751 tonnes inert material generated in 2003</li> </ul>

**Performance**

We have significantly reduced the quantity of waste generated on our UK sites during 2003, and have significantly increased the volume of recycling. For example, UK general waste reduced by 28% from 139,516 to 100,778 tonnes.

The principal type of waste produced is inert material removed from sites, generated entirely by our civil engineering businesses. Inert material is produced when it is excess to requirements, has been displaced by the construction process, or is not suitable for the works required.

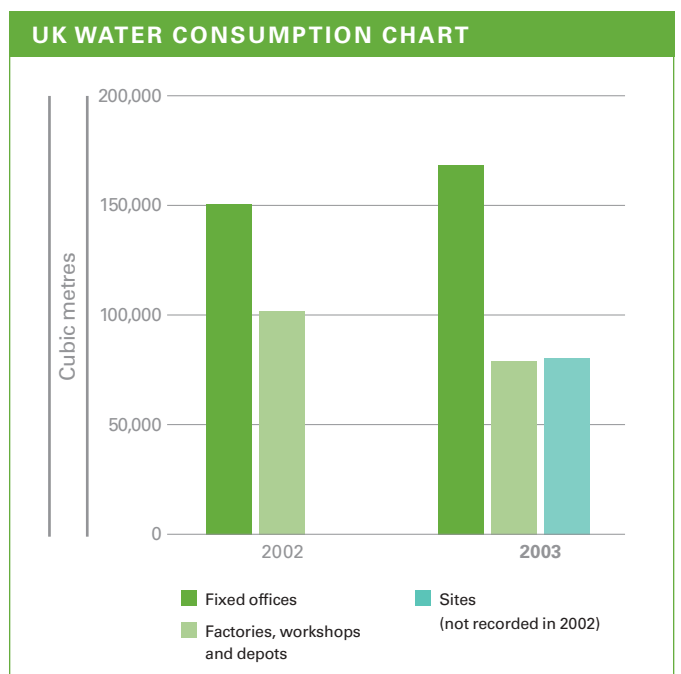
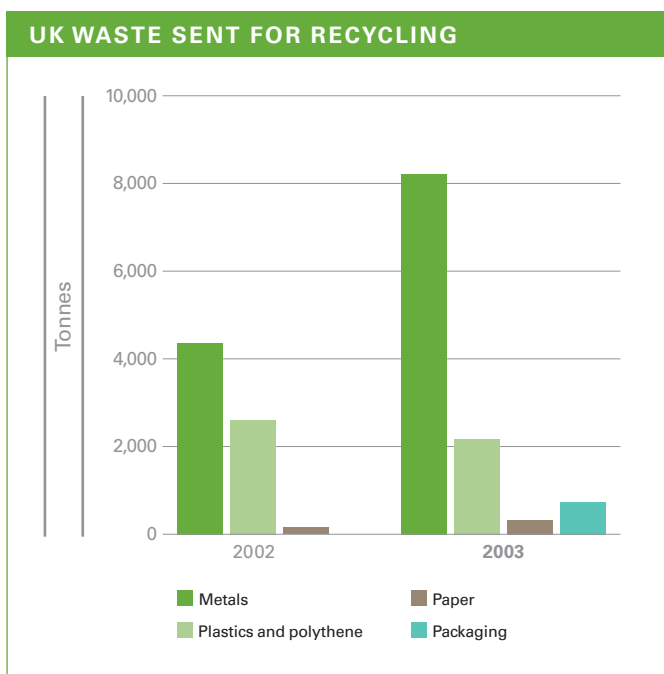
We are not significant producers of hazardous waste – most is generated through disposal of waste COSHH materials and their packaging, or through removal of contaminated land, and disposal of materials (such as redundant oils) on behalf of customers or land owners.

**Conclusion and objectives**

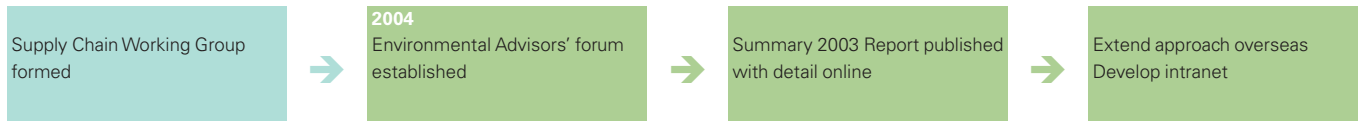
In our second year of data collection:

- we have improved the recording of inert material;
- reduced substantially both general and hazardous waste generated on our UK sites; and
- increased significantly materials recycled.

We will continue to progress our objectives in 2004.







**Water**

Our overall goals for water are progressively to improve the efficiency of water consumption and to prevent pollution of water as a result of our activities. To deliver these goals, we focused on direct measurement of potable water consumption in non-office buildings by end 2004. Site usage of potable water was 81,000m<sup>3</sup>.

- Water consumption was split into water used in buildings and non-potable water used on sites (eg for dust suppression).
- The principle consumption area was office activities including temporary site offices/cabins, accounting for 68% (60% in 2002) of all potable water consumption.
- Our total consumption of water was:
  - potable water: 329,000m<sup>3</sup> (256,000m<sup>3</sup> in 2002); and
  - water from licensed abstraction points: zero (4,000m<sup>3</sup> in 2002).

**Conclusion and future targets**

Our second year of UK data collection indicates that:

- Potable water consumption in our UK offices remained steady in relation to NSV during 2003 at 64m<sup>3</sup> per £million NSV;
- Our UK industrial water usage (factories and depots) fell from 102,000 to 79,000m<sup>3</sup>;
- Site water usage was recorded for the first time at 81,000m<sup>3</sup>; and
- Licensed water abstraction was zero in 2003.

This confirms that site usage of mains water is not a significant issue, and our principal water usage remains in offices. We will continue to monitor our water usage to ensure that no significant changes occur to our consumption patterns.

**Other Impacts**

Our other environmental impacts are:

- **Contaminated land:** all of our operating companies have

reviewed their responsibilities for contaminated land and plans are being developed and executed where necessary to manage the issue. We have not included in this report details of contaminated land remediated during redevelopment works carried out on behalf of customers, which is a valuable contribution towards regeneration of brownfield sites.

- **Complaints:** an initial review of data in 2002 confirmed that local systems for recording and responding to complaints were in place. More consistent reporting has been encouraged during 2003, and the introduction of the Tr@ction database during 2004 should further enhance this.
- **Supply chain:** we formed a task group during 2003 to develop a simple approach to identification of environmental risks that arise in the supply chain – the focus being on products rather than sub-contractors. The group includes both procurement and environmental experts. The approach is to be piloted in two businesses before extending the approach wider in 2004. We measured the number of top ten suppliers by spend that were certified to ISO 14001, and found that approximately 9% of supplier spend is ISO 14001 registered.
- **Timber:** we succeeded in increasing our sourcing of FSC/PEFC timber to 26% of UK timber spend during 2004, a marked increase on previous years.
- **Biodiversity:** to date we have measured the number of SSSI sites in proximity to our work sites, to indicate our engagement with biodiversity issues. This figure has been dominated by our road maintenance activities in 2003. We will seek to find better measures regarding biodiversity during 2004.

**Conclusion and objectives**

We will continue to monitor these and other relevant environmental issues during 2004. We will also further develop and extend our supply chain work.

**RAIN IN WALES SHOCK**

“It sounds like the start of a joke,” admits Sharon Young of Balfour Kilpatrick. “The company that wanted to harvest rainwater in Wales.’ But believe me, it’s deadly serious.”

The OpTIC project is a new research and development facility in St Asaph funded by the Welsh Development Agency. Balfour Kilpatrick was awarded a near £3 million project to install mechanical, electrical, and fire protection services on the OpTIC site.

One of the key aspects of the work was to provide an environmentally friendly solution to water use. As we all know, there is a fair amount of rainfall in Wales, and that was the basis for Balfour Kilpatrick’s solution.

Instead of using fresh drinking water for flushing lavatories and irrigating the surrounding landscaping, Balfour Kilpatrick installed a tank to collect rainwater from the roof of the building. In fact, ‘tank’ is an inadequate description for a huge 40,000 litre monster sunk next to the OpTIC building.

The rainwater collected is filtered and pumped back into the facility as ‘greywater’. Estimates are that this could collect over 2,000 m<sup>3</sup> of water per year, about three quarters of which will be used for flushing the



lavatories alone. So the researchers and staff at OpTIC will be able to flush away knowing that they are protecting the environment at the same time. And that’s a relief – in every sense of the term.

# Social

We recognise the legitimate interests that our stakeholders have in the way we do business, and the need to play a positive role in all the societies and communities in which we operate.

[www.balfourbeatty.co.uk/bbeatty/responsibility/social](http://www.balfourbeatty.co.uk/bbeatty/responsibility/social)

Engaging with local people is a routine part of our projects. This consultation often involves leaflet drops, project websites and community discussions or exhibitions.

A programme of roadshows is underway as part of the project to design and build a new section of the A3 at Hindhead.



## SOCIAL: OBJECTIVES AND TARGETS

2003 objectives	2003 status	2004 targets
<p><b>Overall</b></p> <ul style="list-style-type: none"> <li>Develop coherent and focused social policy programme</li> <li>Conduct independent review of current Human Rights policy in respect of overseas activity, excluding Europe and USA</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder codes of practice in preparation</li> <li>New policy developed and to be agreed</li> </ul>	<ul style="list-style-type: none"> <li>Launch stakeholder codes of practice</li> <li>Launch policy</li> </ul>
<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>Develop indicators to characterise workforce composition and diversity</li> </ul>	<ul style="list-style-type: none"> <li>Achieved</li> </ul>	<ul style="list-style-type: none"> <li>Develop codes of practice to embed employee principles throughout Group</li> </ul>
<p><b>Customers</b></p> <ul style="list-style-type: none"> <li>Continue to build long-term partnership-based customer relations</li> </ul>	<ul style="list-style-type: none"> <li>Increase in long-term and repeat business</li> </ul>	<ul style="list-style-type: none"> <li>Embed customer survey programmes</li> <li>Measure repeat business more accurately</li> </ul>
<p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>Continue improvement in procurement processes</li> </ul>	<ul style="list-style-type: none"> <li>Launched environmental risk assessment initiative in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Increase focus on supply chain management; introduce new code of practice</li> </ul>
<p><b>Community</b></p> <ul style="list-style-type: none"> <li>Formulate charities policy to focus financial and in-kind support to relationship organisations</li> <li>Promote and maintain dialogue with stakeholder groups responding to all queries, observations and enquiries</li> </ul>	<ul style="list-style-type: none"> <li>Policy formulated and agreed</li> <li>Achieved</li> </ul>	<ul style="list-style-type: none"> <li>Select charities and proceed</li> <li>Continue to improve accessibility and transparency</li> </ul>

**Social**

The Balfour Beatty Group is taking an increasingly systematic approach to its relationships with all stakeholders. We have collated information about our key stakeholder groups and the organisations and individuals who constitute them – employees, shareholders, customers, suppliers and the wider community – and are developing a Group-wide programme for ensuring our responsibilities, set out in the Group’s statement of company principles, are fulfilled at each level of the organisation.

**Employees**

The Group directly employs almost 29,000 people, some 24,000 of whom are in the UK; 3,000 in the USA; 1,700 in Europe; and the remainder are in a variety of other countries.

In 1999, the Group began monitoring UK equal opportunities performance annually. In the period since then the proportion of women has risen from 13% to 16% and that of ethnic minorities from 4.5% to 6.4%. The proportion of graduates recruited to the company from these groups has risen from 15% to 22% and from 8% to 21% respectively. Since 1999, the Group has recruited about 500 graduates.

**Accredited competence certification**

In 2003 we achieved our objective of ensuring that a significantly increased proportion of our UK employees working on sites in the UK achieved accredited competence certification. Where appropriate industry schemes are not available, we are in the process of developing internal systems.

**Whistleblowing**

The Group whistleblowing policy was amended in 2003 and reissued to all UK and overseas operating companies. All disclosure officers have received appropriate training.

**// Balfour Beatty Sakti has demonstrated strong examples of social performance. //**

Petter Matthews, Director, Engineers against Poverty



In 2003 Balfour Beatty undertook an in-depth study of the social impacts of its construction work in developing countries.

**Surveys**

Many of our operating companies conduct employee surveys to ensure that they have a full understanding of employee attitudes, concerns and opinions. More UK operating companies achieved Investors in People status during 2003, making 12 in total by the end of the year. We continue to encourage operating companies to achieve recognition of people development policies through Investors in People.

**Shareholders**

We run an active shareholder engagement programme involving regular roadshows and one-to-one meetings. During 2003, senior executives held 93 meetings with shareholders holding in aggregate over 80% of the shares in issue. We continue to respond positively to all requests for meetings with analysts and investors specialising in corporate social responsibility.

**TWENTY-FIRST CENTURY MAN**

Making sustainable development a reality is something that presents challenges for us all, but sustainable engineering solutions are one of the essentials. Balfour Beatty’s Howard Crane has been working on this issue since – well, since the last century.

“I worked on the Engineer of the 21st Century inquiry that reported in 2000,” says Howard. “But too many well-meaning reports end up gathering dust on people’s bookshelves. We thought that this subject was too important for that.”

So in 2002 Howard and a fresh team drawn from across the engineering profession returned to the charge with a review of progress on implementing the first report.

“Our results showed how critical it was to keep up the pressure,” adds Howard. “We called our report ‘Change Challenges for Sustainability’, and identified four areas where we need to move a lot more quickly. We want to make choosing the sustainability option easier and cheaper for clients and contractors; build sustainability into professional training; encourage the use of sustainability criteria in specifications; and finally embed sustainability thinking and practices into the culture of the engineering profession.”



“The last challenge is the biggest one,” admits Howard. “We could only give a score of four out of 10 for the implementation of our recommendations in the first report. There is a lot of resistance to change out there, but I believe there are enough committed engineers to overcome that. The long-term future of engineering depends on it.”



### Customers

In recent years, most UK-based operating companies have conducted increasing proportions of their business in long-term relationships and with repeat customers. Mansell, the £500 million building business acquired at the end of 2003, conducts approximately 90% of its business on a repeat basis.

### Surveys

Many of our operating companies run annual and/or ad hoc customer research surveys to ensure that they understand and can respond to customer opinions, preferences and concerns.

### Suppliers

Major contractors have a key role to play through their supply chains in promoting sustainability and ensuring that good standards in environmental and safety management and product sourcing spread through the industry.

Our operating companies are responsible for managing their own supply chains, and practices around the Group have, as a result, been variable. In recent years, we have been working towards a more consistent supply chain model. In the UK we have made a concerted effort to reduce the number of suppliers, increase the proportion of business with long-term, preferred suppliers, and to audit and seek to influence positively major suppliers' policies and practices.



Balfour Beatty Utilities has long-term relationships with key clients including Transco.

### 2003 initiatives

During 2003, we launched two specific initiatives.

- **Group-wide Supplier Relationship Code of Practice:** currently in development, this will set out the key principles for selecting and managing suppliers and encouraging best practice.
- **Task group:** established to develop a process to identify the key environmental risks arising in operating company supply chains and to develop appropriate supplier engagement and development programmes.

### Government and Regulators

Some 50% of the Balfour Beatty Group's work is undertaken for governments. We continuously develop and improve our policies and practices in line with government requirements, including environmental performance, ethical procurement, stakeholder consultation and other aspects of social performance. Developing and maintaining good relationships with regulators at national, regional and local level is a Group requirement.

### Human Rights

Balfour Beatty introduced its first human rights policy in 2001. During 2003, an independent consultant conducted a review of the level of understanding of this policy in overseas territories (excluding Europe and USA), and what steps were being taken to ensure its implementation. The policy is being amended and will be reissued in 2004.

### Communities

Our principles include a clear commitment to contribute positively to all the communities in which we operate. The local community engagement index, carried out in the UK in 2002 (fully described in last year's report), indicated that the Group performs well in most aspects of local community involvement.

In 2004 we will be developing a Community relations Code of Practice to make clear our requirements of Balfour Beatty operating companies. We are also piloting a more proactive approach to find ways of extending the positive impacts we can have on local communities through our large-scale, longer-term projects.

#### UK: Stoke-on-Trent Schools Project

We have developed a significant initiative in Stoke-on-Trent, where Balfour Beatty Capital Projects (BBCP) is responsible for managing, upgrading and maintaining over 120 schools in a contract which runs to 2025. Our involvement in this project also includes our other subsidiaries, Balfour Kilpatrick, Balfour Beatty Construction and Haden Building Management, all of which are playing key roles in the contract.

Balfour Beatty has developed and is part financing an ambitious initiative to reduce anti-social behaviour by taking organised football programmes to a number of schools in the city.

#### Overseas: Java to Bali transmission line

A major research exercise was undertaken in 2003 in respect of Balfour Beatty Power Networks' project in Indonesia to identify opportunities for enhanced social performance through the development of multi-sector partnerships.

At the conclusion of the work, Petteer Matthews, EAP Director stated: "Balfour Beatty Sakti (BBS) has demonstrated strong examples of social performance, particularly in maximising local content and opportunities for human resource development, through investing in the skill levels of local sub-contractors and we commend these efforts. The research has identified additional opportunities for both BBS and the Balfour Beatty Group to optimise further the poverty reduction impacts of its work and, in turn, gain competitive advantage and enhance brand reputation."

A copy of the report can be found at [www.engineersagainstopoverty.org](http://www.engineersagainstopoverty.org).

#### Other community programmes

We are involved in a wide range of programmes to contribute to community needs. For example, Balfour Beatty Utilities uses its facility in Barnsley to train ex-offenders to NVQ and NRSWA standards in skills that will assist them to successfully re-enter society and avoid reoffending.



**Supporting Charities**

In 2003, we changed our charitable giving policy. We will now select a small number of charities to which we will be a major donor and with which we will work closely to deliver the most positive impact, both for the charity and in terms of our own employee involvement. The scheme is administered by a committee of operating company representatives.

**Encouraging donations**

- **Employees:** we have continued our partnership with Giving Together, a professional fundraising organisation, to raise awareness of payroll giving.
- **Shareholders:** we continue to encourage shareholders with shares, whose value makes their sale uneconomic, to consider donating them to Share Gift, a charity share donation scheme. This programme has helped raise several thousand pounds for UK charities to date.



A national safety initiative throughout Balfour Beatty Fleet Services raised over £10,000 for various charities in 2003.

**Engineers Against Poverty**

Balfour Beatty is a principal sponsor of the charity, Engineers Against Poverty, and is in the process of making £100,000 of contributions in kind to the organisation.

**Stakeholder Communication**

We have continued to develop our policy of open dialogue with all stakeholders, including NGOs, at all levels of the organisation.

Our ability to deal effectively with a wide range of stakeholder groups with varying perspectives has been recognised by the Highways Agency award of two major 'Early Contractor Involvement' contracts in the UK road building market in 2003. Under these contracts, the contractor plays a full role in the planning and consultation process that precedes construction. For example, in the case of the A303 project in Wiltshire, which will take a major road underground near Stonehenge, we are, in conjunction with the Highways Agency, in discussion with English Heritage, the National Trust, English Nature and other interested parties in order to ensure that the final project design best meets the requirements of all stakeholder groups.

**Online dialogue**

We encourage dialogue through our website, and in 2003 received over 2,500 questions, requests and opinions online, all of which we responded to fully. A new, more comprehensive website was launched during the year to provide a wider range of relevant information about the Group, including significant expansion of the shareholder section of the website. All financial presentations are broadcast online and remain available in archive.

**Conclusions and Objectives**

We now have significant momentum in the development of a more coherent approach to fulfil our full range of stakeholder responsibilities. In 2004 our principal aim will be to ensure that preferred behaviour in respect of all stakeholders is more actively promoted around the Group.

**ALARMING NEWS**

The modernisation of the West Coast Main Line is a multi-billion pound programme. Balfour Beatty Rail (BBR) is part of a joint venture responsible for undertaking a £500 million West Coast railway electrification project, one of the largest ever awarded in the UK. The scope of the project includes the design, supply, installation, testing and commissioning of an upgraded overhead line system, enabling trains to run at enhanced speeds, with greater frequency and reliability.

Loading operations for the project piling team are based at King's Norton in a residential area. We are all familiar with the 'peep, peep, peep' sound of vehicle alarms normally used to indicate reversing. Unfortunately, local residents were not only familiar with it – they were fed up hearing it from site vehicles.

Alex Davies of BBR takes up the story.

"There were two problems with the standard reversing alarm. Not only was it driving people potty, but in fact it's difficult for staff to gauge the direction the noise is actually coming from.

"The reasons for that are technical, but the upshot was that we were facing complaints which might have led to legal action, and at the same time we could not compromise on site safety."



The solution was to use a vehicle alarm based on broadband sound, what in layman's parlance is 'white noise'. These alarms are directional so they are quieter and less disturbing whilst being more effective in allowing staff to locate the direction of a reversing vehicle.

So the residents of King's Norton are left in peace, while the safety standards on site are improved. An all round win.

## Validation Statement

To provide an independent assessment of Balfour Beatty's 2003 health, safety, environmental and social performance reporting, we asked sustainable development experts, Sd3.

### Assurance scope

Balfour Beatty engaged Sd3 to carry out an assurance on its Safety, Environment and Social Report 2003, specifically covering the accuracy of data, data collection systems and procedures. The assurance covered UK environment data, global safety, health and social data covering the 2003 calendar year. In addition, Sd3 has assured the report's written and visual interpretation of data but did not cover any additional information that does not directly discuss the 2003 performance data. The assurance did not cover the materiality of the issues reported on, or the appropriateness of the metrics chosen. Sd3 is fully independent and, during the reporting period, was not engaged with the client in any other way.

### Methodology

Information provided in the report was checked through site visits, telephone interviews and e-mail correspondence. Sd3 reviewed all data aggregated at Group level and processes for checking and aggregating this data. Based on this review and discussions with Group personnel involved, Sd3 selected data sets and operating companies for sampling. The sampling involved checking all reported safety, health and environmental data back to the responsible party at the operating company level, along with the recording processes. Four operating companies were sampled in greater depth for environmental data and four for health and safety. Social data was checked down to operating company level via a site visit to the Group headquarters. The report references Balfour Beatty's position in Business in the Community's Environment Index and csr network's internal Balfour Beatty Environmental Benchmarking. Sd3 has verified that Balfour Beatty has accurately reported these results.

### Our Opinion

The data required to generate accident frequency rates (AFRs) for each operating company as well as Group was observed to be collected using common processes, ensuring a high degree of accuracy for 'reportable' accidents throughout. Although less weight is given to non-reportable accidents and incidents when measuring the overall health and safety performance of Balfour Beatty, it was encouraging to observe each operating company collating these trends, as they assist/identify accident prevention programmes.

Based on the activities outlined earlier, the environmental reporting systems are sufficiently robust to collect data that

provides a fair representation of the company's performance in the metrics chosen. We are pleased to see significant improvements to the recording system, but believe there is room for continued improvement in this system to clarify boundary issues and definitions, and minimise the need to convert data between units. Where environmental data has been estimated, acceptable processes were used.

The reporting of occupational health data was not always consistent. Certain health conditions are reportable to enforcing authorities, typically by the health and safety managers/advisors. However, operating companies' human resources departments were responsible for collecting this data. While we found no examples of non-reporting, we would recommend a more formal connection between these two roles to reduce the potential for health conditions not being reported.

In a diverse and decentralised organisation such as Balfour Beatty, we recognise that the introduction of common systems is not without problems. We look forward to the forthcoming introduction of the Tr@ction system, which will enable greater consistency and improvements in trend analysis and subsequent 'lessons learnt' processes, with the aim of reducing environmental and health and safety incidents. Additional training in the use of this system – over and above essential routine training in environment, health and safety issues and procedures – will be important to its success.



**Ian Buckland**, Sd3 Ltd  
5 April 2004



**Jason Perks**, Sd3 Ltd  
5 April 2004



## FEEDBACK

We are committed to improving our reporting and meeting the needs of all stakeholders. We welcome feedback on all aspects of this printed report and our corporate responsibility website.

To give us feedback, go to [www.balfourbeatty.com](http://www.balfourbeatty.com) or if you prefer, write to Corporate Communications, at:

Balfour Beatty plc  
130 Wilton Road  
London SW1V 1LQ, UK  
Telephone: +44 (0)20 7216 6800  
Facsimile: +44 (0)20 7216 6950  
We look forward to hearing from you.

**BUILDING, BUILDING MANAGEMENT AND SERVICES**



Balfour Beatty is an international specialist in the design, construction, equipping, maintaining and management of buildings and selected aspects of their internal environment.

- Companies**  
**Andover Controls**  
**Balfour Beatty Construction**  
**Balfour Kilpatrick**  
**Haden Building Management**  
**Haden Young**  
**Heery International**  
**Mansell**

- Specialist areas**  
 Design  
 Construction  
 Construction and Programme Management  
 Electrical Engineering  
 Mechanical Engineering  
 Building and Facilities Management  
 Building Management Controls  
 Refurbishment and Fit-out  
 Social Housing

**CIVIL AND SPECIALIST ENGINEERING AND SERVICES**



Balfour Beatty is a leading provider of civil and other specialist engineering, design and management services, principally in transport, energy and water.

- Companies**  
**Balfour Beatty Civil Engineering**  
**Balfour Beatty Construction Inc**  
**Balfour Beatty International**  
**Balfour Beatty Management**  
**Balfour Beatty Power Networks**  
**Balfour Beatty Utilities**  
**Lounsdale Electric**  
**RCS**  
**Stent Foundations**  
**Devonport Management Ltd (24.5%)**

- Specialist areas**  
 Design  
 Construction  
 Project Management  
 Foundations, Strengthening, Testing  
 Civil Engineering  
 Transmission Lines  
 Road Management and Maintenance  
 Utility Upgrade and Maintenance

**RAIL ENGINEERING AND SERVICES**



Balfour Beatty is an international leader in the design, construction, equipping, maintenance, management and renewal of rail assets and systems.

- Companies**  
**Balfour Beatty Rail**  
 – Infrastructure Services  
 – Projects  
 – Power Systems  
 – Track Systems  
 – Plant  
 – Technologies  
**Balfour Beatty Rail Inc**  
 – Balfour Beatty Rail Maintenance Inc  
 – Balfour Beatty Rail Systems Inc  
 – MartaTrack Constructors Inc  
 – Metroplex Corporation

- Specialist areas**  
 Design  
 Construction  
 Project Management  
 Maintenance  
 Track Renewals  
 Specialist Plant, Products and Systems  
 Electrification and Power Supplies  
 Signalling

**INVESTMENT AND DEVELOPMENTS**



Balfour Beatty promotes and invests in privately funded infrastructure projects and developments in selected sectors.

- Companies**  
**Balfour Beatty Capital Projects**  
 – Aberdeen Environmental Services (45%)  
 – Connect (roads)  
 – Consort (healthcare) (50% Durham, Blackburn, 42.5% ERI)  
 – Health Management (UCLH) (33%)  
 – Metronet (rail) (20%)  
 – Seeboard Powerlink (10%) PADCO (25%) (electricity)  
 – SBB Street Lighting  
 – Transform Schools (50%)  
 – Yorkshire Link (roads) (50%)  
**Balfour Beatty Property**  
**Barking Power Ltd (25.5%)**

- Specialist areas**  
 Roads  
 Rail  
 Accommodation – Healthcare, Education  
 Water  
 Integrated Transport  
 Power Systems  
 Property

This report is printed on uncoated paper, produced from pulp containing a minimum of 75% de-inked post-consumer recycled fibres. The remaining 25% is derived from Totally Chlorine Free and Elemental Chlorine Free pulp from sustainable forests. The mill operates under strict environmental standards and any water used is suitably treated and returned to source in better condition than when removed. The mill has ISO 9002 and ISO 14001 accreditation.

[www.balfourbeatty.co.uk/bbeatty/responsibility](http://www.balfourbeatty.co.uk/bbeatty/responsibility)