

Balfour Beatty

INTEGRATED RESPONSIBILITY



Safety and health

Environment

People

Community

Our approach to corporate responsibility

Balfour Beatty

The creation and care of essential assets

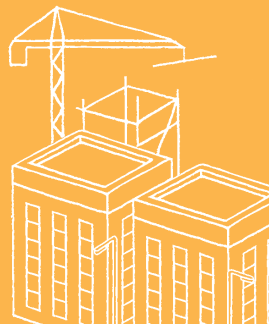
Balfour Beatty has a firm and explicit commitment to fulfilling its responsibilities to all of its stakeholders. The long-term success of our business depends not just on the continuing, profitable delivery of the highest-quality technical skills and disciplines, but also on demonstrable commitment to fulfilling our wider responsibilities.

Our framework for managing and reporting safety, health, environmental issues, people and community involvement is an integral part of our business processes.

Ensuring safety and health

The safety of our employees and others impacted by our activities is a fundamental priority for Balfour Beatty. We report, comprehensively, on our performance and describe the steps we are taking to achieve Zero Harm by 2012, and to ensure the long-term health of all our employees.

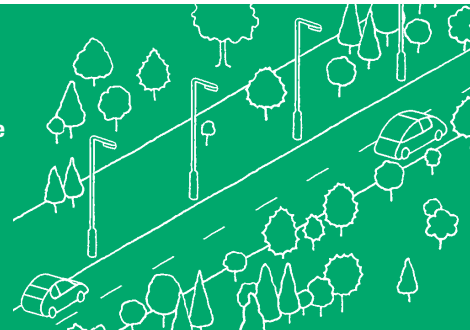
See page 04 for more detail



Protecting the environment

How we design, build, manage and maintain our infrastructure assets can have a positive effect on the environment. We report on our key environmental impacts and the wide range of initiatives and programmes in place to help the Group operate within environmental limits.

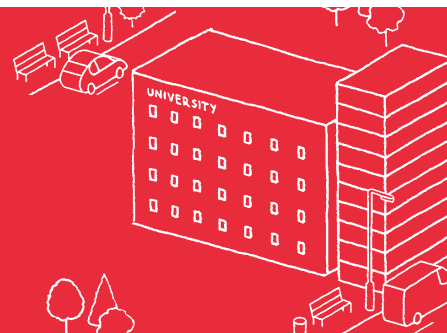
See page 08 for more detail



Valuing our people

Balfour Beatty seeks to utilise the full talents and skills of all its people and aims to create a safe, healthy, challenging and fair working environment. We report on how we attract, retain, develop and reward our employees, their key characteristics and the standards which we expect from them.

See page 12 for more detail



Engaging with communities

Balfour Beatty regards good corporate citizenship as an integral part of its business mission and seeks to create positive, long-lasting relationships with stakeholders. We report on our key policies, initiatives and commitments to build better futures for the communities in which we operate.

See page 16 for more detail



Integrated responsibility

By engaging with customers, end-users and local communities, we can create shared understanding of the needs and impacts of our projects, together with a view of what is technically possible and affordable. Translating this into reality involves designers, contractors, suppliers and other specialists working together to embrace new ideas and technology and to generate innovative solutions.

Working at height

Working at height is a safety risk for our people. Find out how we manage risk and minimise accidents when working at height, and more on our Zero Harm target.

📖 See page 05
🌐 www.balfourbeatty.com/bby/responsibility/safety

98.5% recycling rate

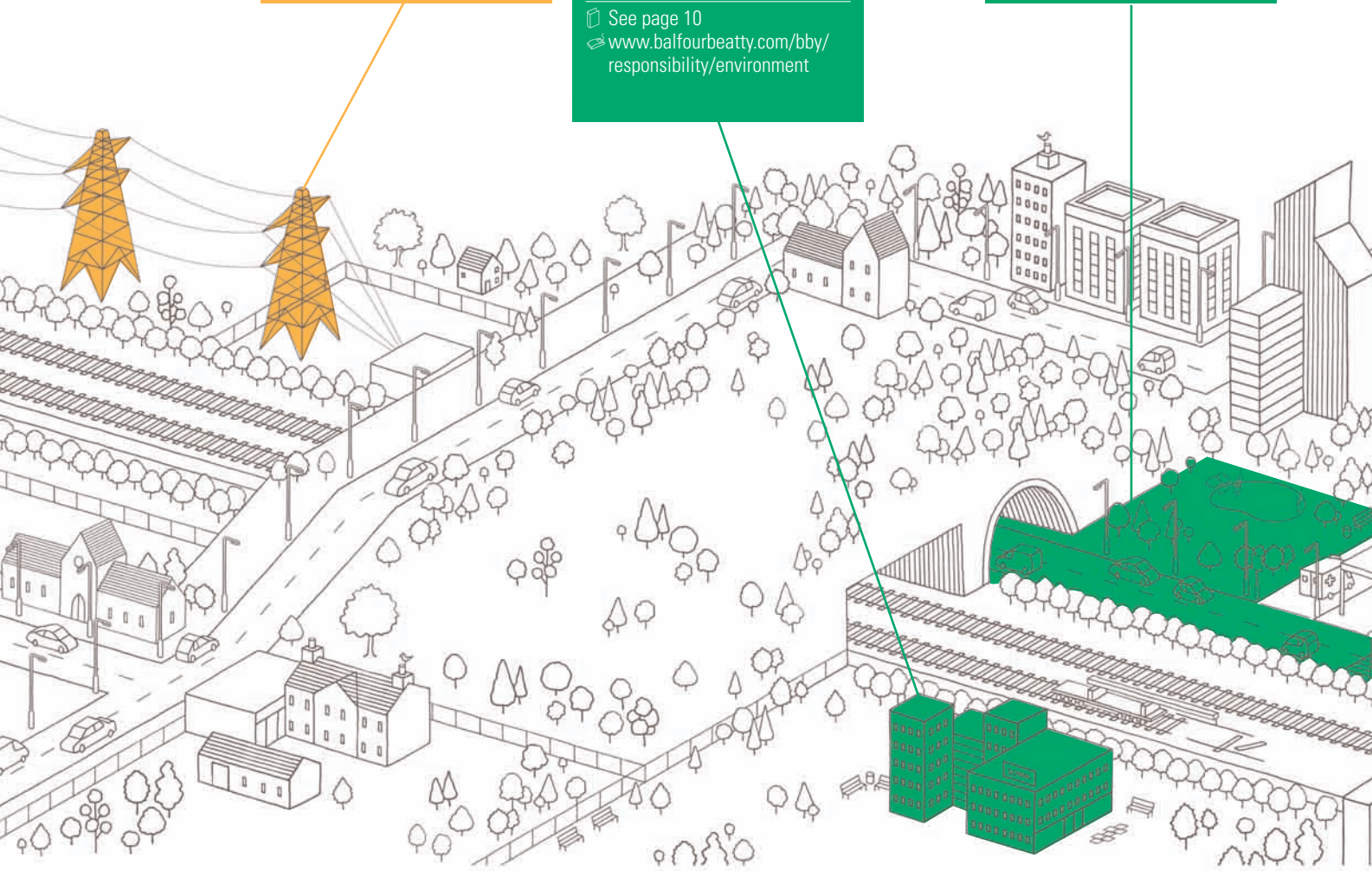
Our Baker School project hit a 98.5% recycling rate for demolition waste and was the first elementary school in Florida to achieve LEED certification.

📖 See page 10
🌐 www.balfourbeatty.com/bby/responsibility/environment

Habitat creation

Our Eaves Green link road project was delivered using 84% of materials with a recycled content, avoided 24,000 m³ of landfill waste – and created new habitats for great crested newts in the process.

📖 See page 10
🌐 www.balfourbeatty.com/bby/responsibility/environment



185 Graduates

185 graduates were recruited in 2008 from over 50 universities. But this is just the start of their professional journey.

See page 14
www.balfourbeatty.com/bby/responsibility/people

Local consultation

Local consultation is essential before we start, and during, a project. We do this in many ways – from exhibitions to media campaigns.

See page 18
www.balfourbeatty.com/bby/responsibility/community

Safety on the road

To improve safety on the road, we implemented a mix of e-learning, online assessment, and hands-on experience with our award-winning driver simulator at Derby.

See page 07
www.balfourbeatty.com/bby/responsibility/safety

Building Better Futures

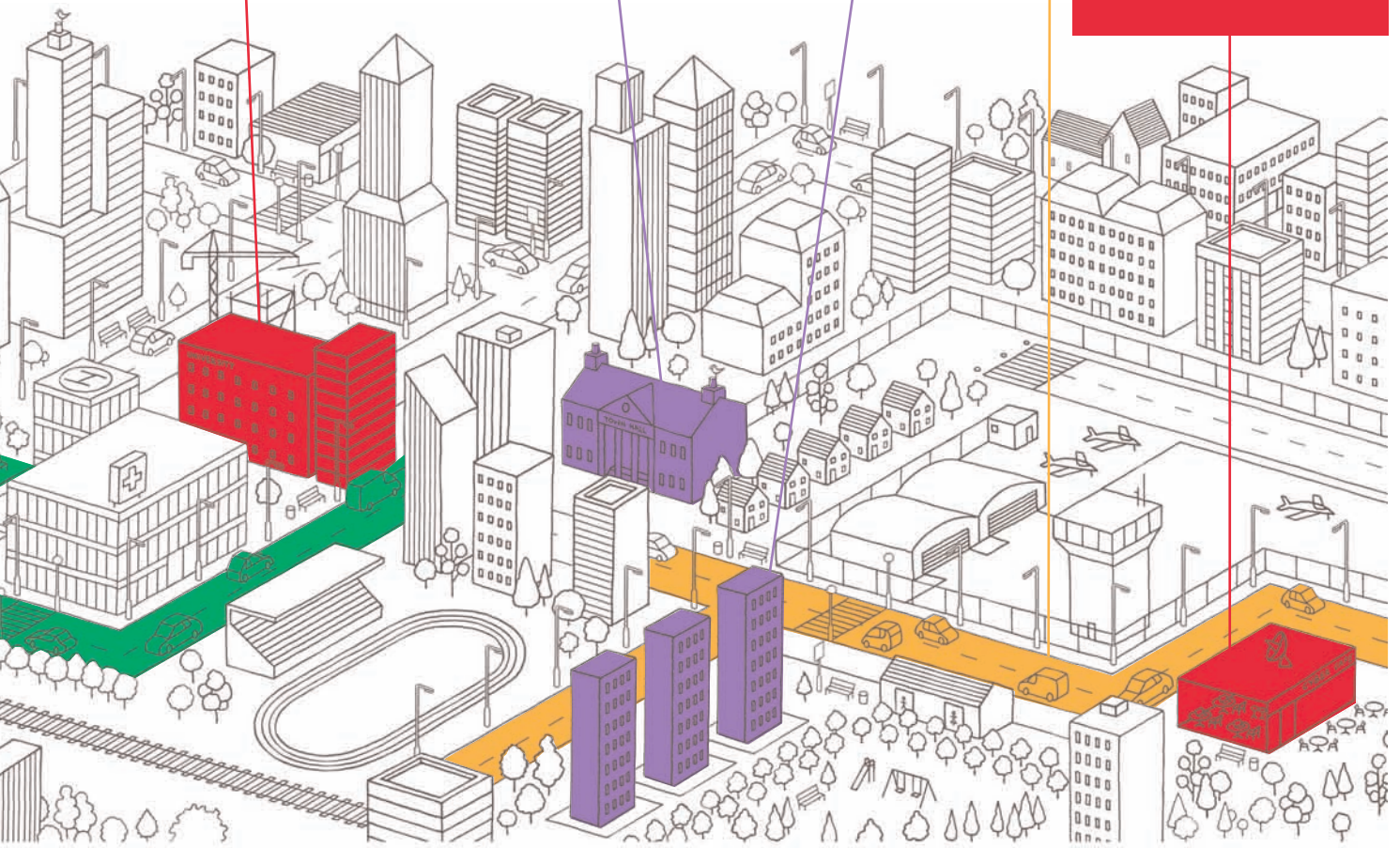
Our Building Better Futures programme helps to improve the lives of disadvantaged young people, both socially and physically.

See page 18
www.balfourbeatty.com/bby/responsibility/community

Training and development

We offer our people a number of ways to grow and develop with us – including online. Find out more about our Training and Development

See page 14
www.balfourbeatty.com/bby/responsibility/people

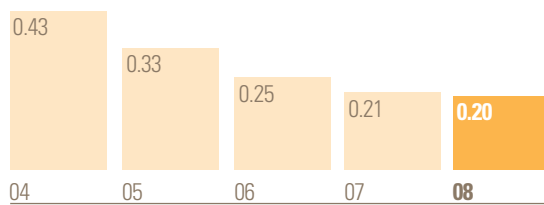


Our key performance indicators

This summary review provides key headlines and highlights in an easily accessible and digestible format, designed to explain, simply, what corporate responsibility and sustainability mean to Balfour Beatty. Some of our key achievements from 2008 and targets for future performance are shown below.

Ensuring safety and health

Accident frequency rate per 100,000 hours worked



0.1

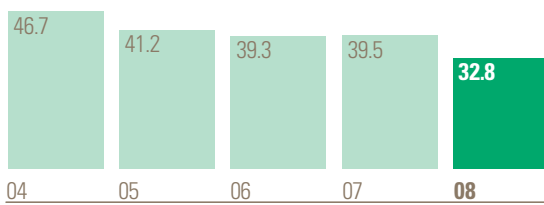
Maximum AFR by 2012 as part of our Zero Harm commitments

More information about health and safety in the workplace on page 04.

Safety and health

Protecting the environment

UK tonnes equivalent CO₂ per £m sales (excluding air travel)



30%

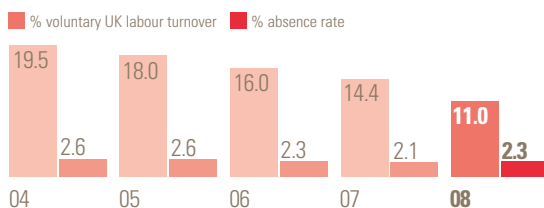
Reduction in tonnes CO₂ per £m sales in the UK

More information on how we help the environment on page 08.

Environment

Valuing our people

Voluntary employee turnover and absence rates



100%

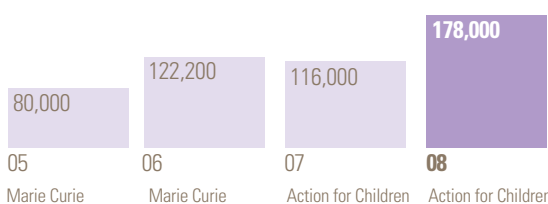
All employees to be aware of our values by end 2009.

More information about our people on page 12.

People

Engaging with communities

Contribution to Balfour Beatty "Charity of the Year" £



£500,000

Fundraising target for Building Better Futures in 2009.

More information about our work in the community on page 16.

Community

Chairman and Chief Executive's statement

There are many compelling reasons for Balfour Beatty to manage its corporate responsibilities well. Not only is it a key task for a business being managed for long-term value creation and sustainability, but the great majority of our customers expect their partners and suppliers to have high standards in this area. We aim to match or surpass the standards which our customers set for themselves.

Steve Marshall
Non-Executive Chairman



Ian Tyler
Chief Executive



This is Balfour Beatty's eighth Corporate Responsibility Report, continuing the Group's commitment not only to fulfilling the full range of its responsibilities to all its stakeholder groups, but also to report, openly, on its progress in so doing.

Balfour Beatty's business model is designed to create a sustainably successful company in the long term.

Sustained success requires appropriate structures and processes to be embedded in a number of key areas. There needs to be an appropriate balance between our core financial objectives, increasing our alignment with key stakeholder groups and fulfilling the full range of our responsibilities to society and the communities in which we operate. In order to do this we must achieve a consistency of desired behaviours across all our people.

Our business model

Our 2008 financial results demonstrate that we have a very resilient business model, based on enduring partnerships with long-term investors in infrastructure, predominantly government and regulated industries. Our ability to deliver services from front-end planning and design right through to whole-life management is increasingly valued by these customer groups.

We have a clear strategy, which is thoroughly reviewed every three years. Our financial structure is strong with growing shareholders' funds, substantial net cash assets and excellent support from a wide range of blue-chip investors.

We lead in most of the markets in which we operate and are able to attract and deploy first-class people at all levels and in all disciplines. Sophisticated and well-trying operating and risk-management procedures, together with the high quality and determination of our people gives us a first-class reputation for delivery.

On these strong fundamentals, we continue to build appropriate programmes and disciplines to address our wider responsibilities. 2008 has seen substantial progress in this regard.

Ethics and values

For some time, we have had a clearly communicated structure of corporate principles, required individual behaviours and best operating company practice guidelines. During 2008, the majority of our UK employees have undertaken an e-learning programme to ensure that required behaviours are embedded throughout the organisation. At the same time we have undertaken an exercise to define clearly our values. During the course of 2009 these, too, will be the subject of a comprehensive, company-wide communication and learning programme.

Safety

We were deeply saddened by the deaths of eight workers across our sites in 2008. Keeping our people and members of the public safe is at the top of our agenda. Over the last 10 years, our safety performance has improved consistently. In 2008 we launched a new safety vision –

Zero Harm. Our aim is to eradicate, completely, serious accidents from the business by the end of 2012. Management and staff across the Group have been mobilised towards this goal with a Group Managing Director dedicated solely to leading the programme.

Environmental limits and engagement

The critical importance of a comprehensive sustainability programme was recognised in 2008 with the appointment of Forum for the Future to help a high-level working group scope required objectives and actions. A clear sustainability vision for the Group has been developed, together with a road map to take us to defined destinations in 2012 and 2020, in terms of environmental limits, community engagement and our role in and influence on the markets which we serve.

Community relations

During 2008, a number of programmes were initiated to bring greater coherence to our community engagement activities. In our centenary year, we have, for example, set up a charitable trust through which company and employee contributions will be channelled to charities which focus on helping young people. In 2009, in the UK, these will be The Prince's Trust and Action for Children. We have become a patron of The Prince's Trust. Our sponsorship of the London Youth Games is now in its second year. During 2009 we will be developing a comprehensive and coherent approach to our community engagement activities across the Group.

People

Our future success depends, critically, on the quality, organisation and motivation of our people. In 2008 a number of major initiatives were taken to ensure that we attract the best, offer them interesting and rewarding long-term careers and use their energies in support of all aspects of the company's business.

Reporting

Our key performance indicators for corporate responsibility are increasing in number. On almost all of those already in existence, we are able to demonstrate good progress in 2008.

The scope and depth of our reporting continues to increase. This year, we are, as usual, subjecting our report to external independent evaluation. Additionally, we have asked a panel, made up of key Balfour Beatty stakeholders, to provide a commentary on the report.

The future

You may rest assured that we will continue to do whatever is necessary to make sure that all aspects of our business responsibilities are appropriately fulfilled.

Balfour Beatty in 2008 at a glance

Revenues in excess of £9bn
Order book approaching £13bn
Approaching 40,000 employees
Net cash of over £400m
Profits approaching £250m
The UK's leading international infrastructure company
26 companies operating in over 20 countries

Managing corporate responsibility and sustainability

We have a number of internal processes and governance groups in place to manage our business responsibly. We are also thinking about the long-term sustainability of our business in all its aspects. Central to our vision for sustainability is playing our part in helping to align the interests of profitable markets with the needs of communities, and the requirement to live within environmental limits.

Resolving issues in 2008

During 2008, we reached full and final settlement of £2.25m with the Serious Fraud Office in respect of the Bibliotheca Alexandrina Project, completed in 2001. We also agreed to implement certain compliance measures and appointed the Global Infrastructure Anti Corruption Centre (GIACC) to monitor and report on our anti-corruption processes.

A full description of the settlement process is available on page 20.

Balfour Beatty is co-operating fully with the Office of Fair Trading's investigation into the tender activities within the construction sector. This investigation is ongoing.

Related links

For more on our risk management, policies and governance structures, read our full report online at:

www.balfourbeatty.com/bby/responsibility/management

Governance

The Balfour Beatty Board sets policy and takes responsibility for Balfour Beatty's performance in all matters relevant to corporate responsibility.

In early 2001, the Business Practices Committee of the Board was established to review policy, practice and performance in these areas.

The Group has clearly stated and communicated policies in respect of a wide range of non-financial issues. Its structure for regulating behaviour in its operating companies and among its employees, within a clear set of principles, has been in place since 2006.

In 2008, a Sustainability Working Group was created to develop a comprehensive approach to sustainability, assisted by Forum for the Future.

Stakeholder Codes of Practice

All operating company managers through the Group have a code of practice in respect of how they are expected to manage their relationships with all key stakeholder groups, including their employees.

We are members of the Institute of Business Ethics and work closely with Transparency International and the Anti-Corruption Forum. The Forum, established in October 2004, is an alliance of UK business institutions, organisations and businesses with interests in the domestic and international infrastructure, construction and engineering sectors.

Sustainability vision

Sustainable construction has focused, historically, on meeting the needs of building and civil engineering schemes such as BREEAM and CEEQUAL in the UK and LEED in the US. These schemes clearly have their role in moving our industry towards the delivery of more sustainable projects.

We believe that a far more fundamental approach is required to ensure that Balfour Beatty itself becomes a truly sustainable organisation, especially given our role in creating and managing critical infrastructure such as utilities, transport, health and education facilities. Our approach has to encompass the characteristics of a growing, international business with a constantly changing project portfolio and a decentralised Group structure with significant autonomy given to operating companies.

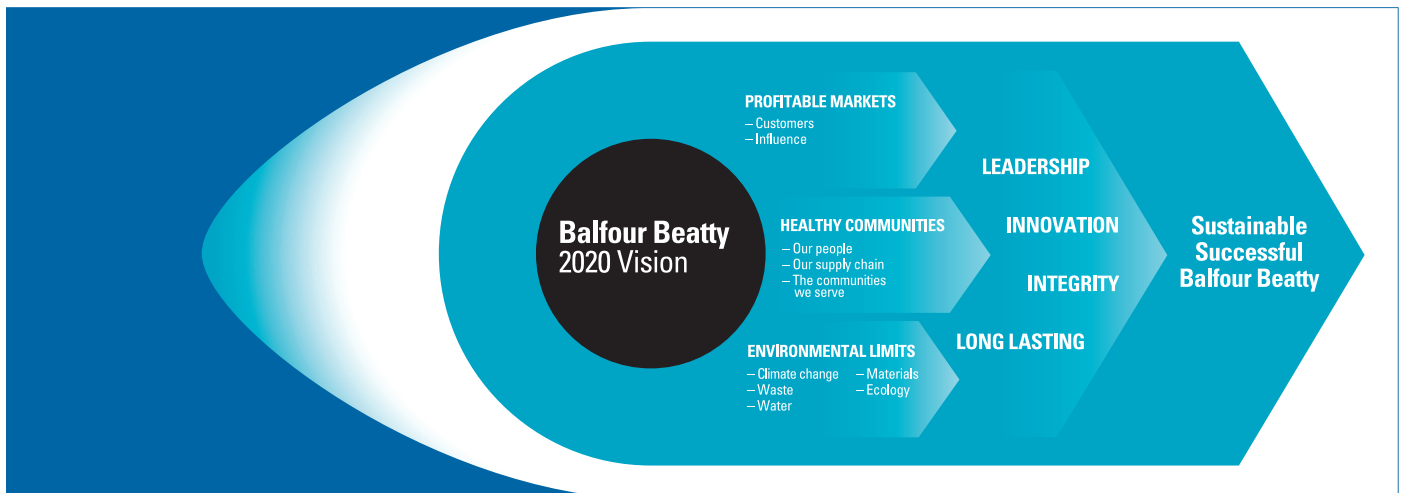
Balfour Beatty aspires to lead the industry in the delivery of innovative solutions and engineering excellence in sustainable infrastructure development to deliver long-term shareholder value. During 2008 and the early part of 2009, we developed a sustainability vision and a detailed roadmap for the journey to its fulfilment. This coherent, Group-wide approach to sustainability will be evaluated critically during 2009 and fully launched across the Group by the end of the year. Our vision model is reproduced here.

Reporting

Our main source of reporting can be found online at www.balfourbeatty.co.uk/bby/responsibility. We believe that this year's reporting meets the requirements of a C+ report under the GRI G3 Guidelines. A full GRI Content Index is also available online.

Balfour Beatty Sustainability Vision 2020

For more information, go online to www.balfourbeatty.com/bby/responsibility/management



Integrated responsibility

Ensuring safety and health

Over 500,000 people worked on our sites during the course of 2008, up to 140,000 of them at any one time. Safety is therefore a fundamental priority for Balfour Beatty. We have improved our performance significantly in recent years, but we continued to suffer fatalities and injuries in 2008. We are passionate about safety, and plan to make our business free of all serious accidents by 2012.

2008 highlights

Launched Zero Harm target for all our businesses by 2012

Our accident frequency rate for the year is down 5% in 2008

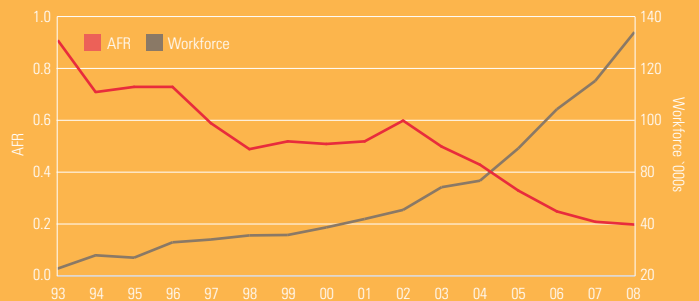
Our accident frequency rate is down 67% since 2002

In all of our regions, we performed better than industry benchmarks

UK accident frequency rate was 35% better than the industry average

54% increase in the number of workers receiving occupational health screening since 2007

AFR for Balfour Beatty Group from 1993–2008



Note: Workforce refers to directly employed and sub-contractor personnel working on our sites at any one time.



Working at height

To date, a blend of behavioural awareness campaigns and process innovation has helped minimise the risks associated with work at height. To support our Zero Harm goals in 2008, a continued effort was put into tackling risks associated with Mobile Elevated Work Platforms (MEWPs). In April 2008, a new policy and guidance note on MEWP operations was introduced.

 Read more online
www.balfourbeatty.com/bby/responsibility/safety

Safety and health

Maintaining a first-class safety culture is key to our business, and we continued to make good progress in 2008. We take a structured, risk-based approach to safety management across the Group.

In 2008 we focused attention on raising awareness of those activities and incidents with the potential to cause serious harm, and launched our vision of Zero Harm by 2012.

Awards and recognition in 2008

UK

54 RoSPA awards received for occupational safety. Six UK operating companies were given Gold awards.

Balfour Beatty WorkPlace awarded the British Safety Council (BSC) International Safety Award for annual safety performance for the 28th year – one of seven awards from the BSC.

Balfour Kilpatrick won Building Magazine's Contractors Safety Programme award.

Balfour Beatty Major Civil Engineering received two awards from the Highways Agency in recognition of its safety performance at the A3 Hindhead and M1 widening projects.

US

Balfour Beatty Construction US received the Associated General Contractors "Construction Safety Excellence Award" and the 2008 Associated Builders and Contractors STEP Award (Platinum Level).

Balfour Beatty Infrastructure Services Inc. received five North Carolina Department of Labor Certificates of Safety Achievement and also the "Associated General Contractors" Certificate of Commendation for Excellent Safety Record (South West region).

Heery International named Grand Award Winner at the Construction Safety Excellence Award, among other accolades for safety achievements.

Balfour Beatty Rail Inc received its seventh consecutive Gold Safety Award from the National Railway Construction and Maintenance Association.

Rest of World

Five Gammon Construction projects (in Hong Kong) received the Considerate Safety Contractor Award.

Balfour Beatty Rail International (Malaysia) was also awarded the National Best Safety and Health Award by the Ministry of Human Resource.

For more awards, go online to: www.balfourbeatty.com/hby/responsibility/safety/awards

Our strategy has three principal components:

- First, to design both permanent and temporary works so that safety risks are eliminated at source or reduced substantially.
- Second, to build a positive safety culture around our well-developed safety management systems, through consistent demonstration of leadership and employee engagement which changes fundamental attitudes and behaviour.
- Third, to ensure that we apply the same level of diligence to public safety as we apply to occupational safety.

Management systems

Our Group-wide policy and our formal expectations for management are clearly set out and communicated together with policy and guidance documents on a number of key issues. A series of Health and Safety forums encompassing all operating company managing directors are now well established. Their function is to review performance, launch new initiatives and ensure best practice is shared across the Group. Our operating companies are expected to achieve certification of their safety and health management systems to OHSAS 18001 or equivalent. Most are independently audited by Det Norske Veritas (DNV) through the Balfour Beatty Group Audit Protocol (BBGAP).

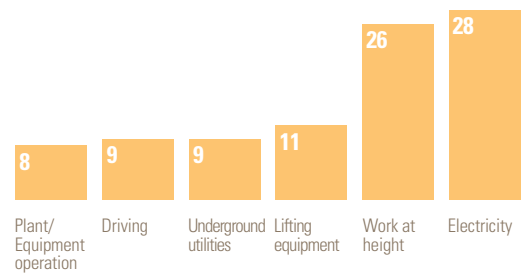
The Group uses Tr@ction, a recording and monitoring system, to report and analyse accidents and incidents across Balfour Beatty to provide the data for the development of policies and best practice. Subject-specific task groups study and recommend solutions for issues such as temporary traffic management, service strikes, driving safely and tower cranes. To achieve our aim of operating with no harm to our workers or the public, our operating companies each have an annual safety plan and safety targets. These incorporate the operating company response to corporate

objectives and also address their own specific safety issues, which are determined by risk assessment and by analysis of accident data. Our accident and incident investigation system is comprehensive and structured. By the end of 2008, over 700 investigators had received formal training in the process. Serious incidents are reviewed personally by the Chief Executive, Chief Operating Officer, or relevant Group Managing Director.

Audit

Our systems and performance are the subject of both internal and external audit scrutiny. External audit against OHSAS 18001 is required in all businesses, except in the US where these standards are not well recognised, and is being extended to cover all businesses outside the UK. All operating companies maintain programmes for internal audit. In the US an audit protocol was developed during 2008, for use by all US operating companies to gain assurance of implementation of local regulations and Group requirements.

Number of incidents with potential for serious injury, within Balfour Beatty Group in 2008



Safety performance and targets

Safety targets for 2008:	Safety performance for 2008:	Zero Harm target for 2012
Zero fatalities	Eight worker fatalities; three in wholly-owned operating companies (one in UK, one in Australia and one in Chile). Five in joint venture companies (one in Macau, Singapore, Hong Kong, Indonesia and Dubai)	Zero fatalities
Zero permanently disabling injuries	Six permanently disabling injuries	Zero permanently disabling injuries
Each operating company targets sustained Accident Frequency Rate (AFR) reduction and to achieve Group AFR < 0.2 by end 2010 as a milestone on the Zero Harm Journey	Group AFR improved 5% from 0.21 to 0.20	Each operating company aims for zero accidents and injuries by 2012 with an absolute ceiling on AFR of 0.1 by end 2012

Sub-contractor safety performance is included for all activities apart from the US, where it is not common practice to collate this data.

Zero Harm

On 1 October 2008, a new vision of Zero Harm was launched across all Balfour Beatty operating companies worldwide.

The goal is to eliminate risks by 2012, so as to achieve:

- Zero deaths
- Zero injuries to members of the public
- Zero ruined lives among all our people

**“We will not risk doing harm,
so we will not accept any
target other than Zero.”**

Ian Tyler
Chief Executive



Training

Our comprehensive training programmes to ensure the competence of all job holders continued to be implemented in 2008. Over 60,000 man days of safety training took place across the Group during the year.

Occupational health

We are now seeking to apply standards of rigour to our measurement and management of occupational health, comparable to those for occupational and public safety.

Our aim is to ensure that no harm to our employees' health occurs as a result of our activities and to improve the monitoring and control of those activities that have the potential to impact on health.

Occupational health screening

In 2008 the number of workers receiving occupational health screening was nearly double that in 2007 at 8,627, with 5% being referred for further medical examination. Of the 407 UK referrals, the number of work-related ill-health cases reported to the enforcing authority was 26 (of which 22 were for Hand Arm Vibration Syndrome).

Alcohol and drug testing

There are regional variations in legal requirements to test for alcohol and illegal substances – this is reflected in diverse operating company policies across the Group. Both random and “for cause” testing are undertaken as appropriate.

Men's Health Day

Balfour Beatty Construction, in partnership with NHS Scotland organised three days of clinics in 2008 at the £100m New Victoria Hospital Project in Glasgow to promote men's health issues in Scotland.

The aims were to raise awareness of men's health, wellbeing and lifestyle issues; to target hard to reach men in settings not normally associated with healthcare; and to highlight our concern for the wellbeing of our workforce whether sub-contractor or directly employed.

The health surgery proved extremely popular. 200 of the 400 people on-site at the time attended the clinic – and generated very positive feedback.

Find out more online balfourbeatty.com/bby/responsibility/safety



Vibration

New hand arm vibration regulations were introduced in the UK in 2005, requiring Hand Arm Vibration Syndrome (HAVS) surveillance and risk reduction strategies. The number of cases of HAVS diagnosed peaked in 2005, as long-standing, historical cases were identified. Safety initiatives to reduce HAVS focus on avoiding/reducing exposure, and use of low vibration tools.

Noise

The number of workers receiving audiometry testing in 2008 was less than in 2007. Some 3,097 employees received audiometry testing in 2008. Of the 2,627 UK employees tested, 41 (eight in 2007) had duties restricted as a result of the audiometry testing.

Respiratory diseases

Our focus in 2008 has again been on maintaining asbestos management plans and training programmes on the recognition of asbestos. We operate a strict policy of referring cases to the licensed experts if asbestos is encountered.

Health promotion

A number of operating companies now focus on wellbeing, both within and beyond work. Most run occupational health promotional campaigns focusing on stress, dermatitis, musculoskeletal and general health awareness.

Some businesses also encourage a healthy lifestyle, beyond the workplace. Balfour Beatty Management continued its healthy living policy and campaigns during 2008. The Haden Young health bus visited several sites across the UK promoting healthy attitudes to work.

In Hong Kong, Gammon Construction organised an industry seminar to raise awareness of health concerns and determine ways to tackle the issues.

Another topical issue is that of smoking. Smoking cessation campaigns were launched in several operating companies, in line with recent changes to legislation.

Days' training delivered in 2008

60,503



Related links

For a full description of the key hazards in our business, go online to:

www.balfourbeatty.com/bby/responsibility/safety/key-hazards

Full details of our safety training can also be found online:

www.balfourbeatty.com/bby/responsibility/safety/training-development

Safety and Health case studies are available to browse at:

www.balfourbeatty.com/bby/responsibility/casestudy

Integrated responsibility

Protecting the environment

How we design, build, manage and maintain our infrastructure assets can have a positive impact on the environment. We will continue to search for and deliver solutions to help our customers achieve their sustainability goals and which help communities move closer to living within environmental limits.

2008 highlights

Developed our thinking on living within environmental limits for 2020

Continued our research into understanding the carbon impacts of our projects

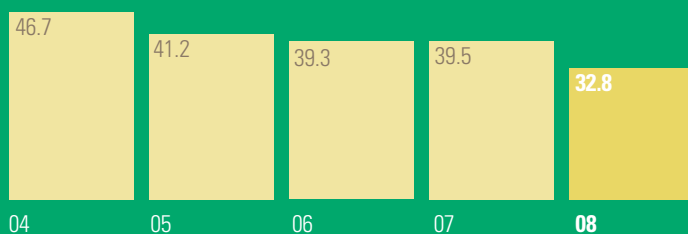
ISO 14001 or equivalent systems in place across the Group

2.8 million tonnes of waste recycled or recovered globally

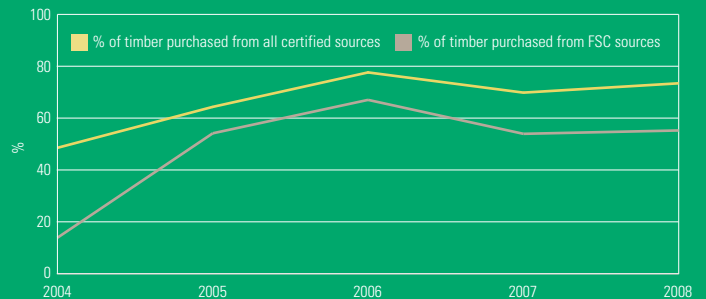
37% reduction in waste disposed in UK/£m sales since 2005

44 national and international environmental awards across the Group

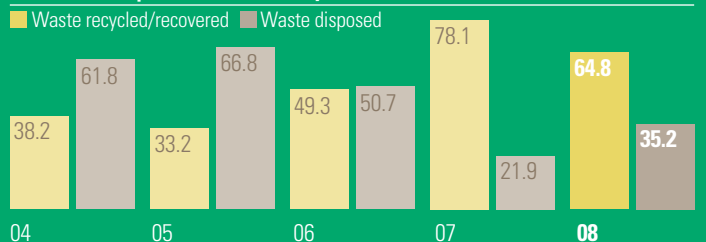
UK tonnes equivalent CO₂ per £m sales (excluding air travel)



UK timber spend %




UK % waste disposed vs % waste recycled/recovered





Sustainability in action

Building on the lessons learned from our widening of the M25 during 2003–04, our Balfour Beatty Skanska joint venture project recycled a massive one million tonnes of waste concrete and aggregates into structures and surface materials during the widening of the M1 motorway between junctions 6A to 10, near Luton. This represented 93% of the material needs of the project, diverted 800,000 tonnes of waste from landfill and saved £3m in costs.

 Read more about this multi-award winning project online:
www.balfourbeatty.com/bby/responsibility/environment

Environment

We will be communicating our sustainability roadmap to our operating companies during 2009 to achieve our ambitious vision of a fully sustainable Balfour Beatty by 2020. The roadmap will include, for the first time, Group-wide environmental targets to be achieved by 2012 as we progress on our sustainability journey. We have already laid good foundations by measuring our impacts, sharing best practice across our operating companies and encouraging further innovation.

Related links

Read more about our case studies online at www.balfourbeatty.com/bby/responsibility/casestudy

Sustainable schools research programme.

Balfour Beatty WorkPlace helped staff and students achieve their 25% energy reduction target two years early and save 8,200 tonnes of CO₂ in Stoke Schools through smart technology and behaviour change.

Innovative Green Siesta carbon footprinting tool developed by Balfour Beatty Ground Engineering for piling technologies.

Birse Civils successfully created new habitats for great crested newts and bats, as well as conserving precious ancient woodland on the Eaves Green Link road scheme.

Baker Replacement School, built by Balfour Beatty Construction US was the first elementary school to achieve Leadership in Energy and Environmental Design (LEED) certification in Florida and recycled 98.5% of all demolition waste.

Balfour Beatty Rail Projects virtually eliminated hazardous ballast waste to landfill.

Our approach to managing our environmental responsibilities is structured, and based on risk and opportunity to provide sustainable solutions. Each operating company has established its own environmental management systems that address their key environmental issues. We continue to have our systems externally certified to the international standard ISO 14001 and have extended the scope of our reporting of environmental performance data to cover Dutco Balfour Beatty in the Middle East. Our US businesses operate their own environmental management systems (not ISO 14001 certified). We will extend the measurement and reporting of environmental impact data to cover our US operations in future reports.

External audit

Through the Balfour Beatty Group Audit Protocol (BBGAP), external environmental audits are conducted across our UK and Continental European operating companies to assess conformance with ISO 14001/Group standards and test practical implementation of controls. In 2008, we launched a US version of BBGAP and will be rolling this out to all US operating companies in 2009.

Targets

Through our sustainability roadmap, we will establish targets in 2009 for improved environmental performance covering CO₂ emissions, waste, water, responsibly-sourced materials and ecology.

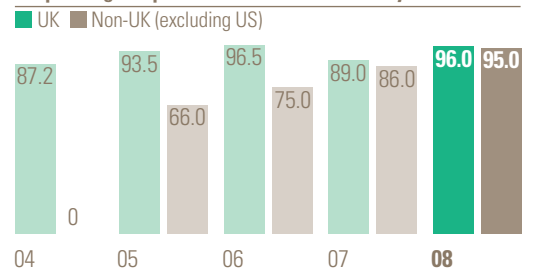
Sharing best practice

We share best practice across our operating companies via the annual Safety, Health and Environment (SHE) conference, our environmental managers' forum, Group SHE intranet, our membership of the UK and US Green Building Councils and the Sustainability Working Group. A Group Head of Environment was also appointed in 2008 to provide direction and leadership on environment.

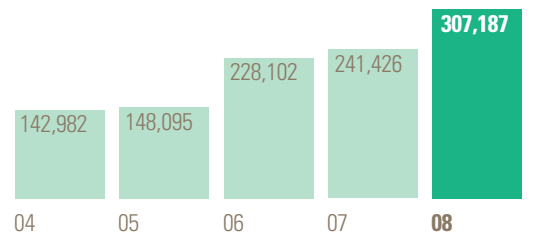
Enforcement action

2008 was a disappointing year in terms of enforcement action. Five incidents resulted in fines (one minor fine in 2007). Three of these incidents occurred in the UK, one in the USA and one in Singapore. We share the lessons learned from such incidents and continue our programmes to reduce the risk from spills, discharges and other releases into the environment. Further details of these incidents can be found online at www.balfourbeatty.com/bby/responsibility/environment

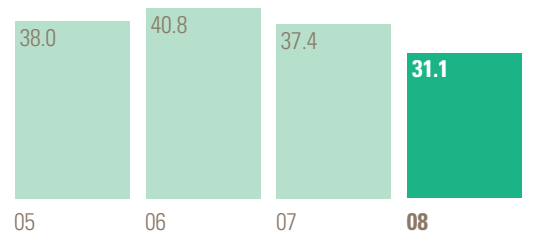
% operating companies certified to ISO 14001 by revenue



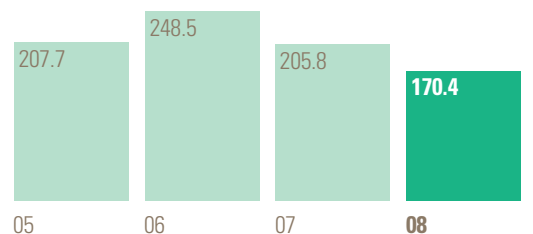
Global absolute tonnes equivalent CO₂ (excluding air travel)



Global equivalent tonnes CO₂ per £m sales (excluding air travel)



Global relative water consumption 2005–2008 m³/£m sales



Clean Air Charter, Hong Kong

Balfour Beatty joint venture Gammon Construction became the only construction company to subscribe to the voluntary Clean Air Charter developed by authorities in Hong Kong. The charter seeks to address concerns about air quality through reducing pollution and increasing transparency about emissions. Through participation in this scheme, we hope to be able to improve the management of greenhouse gas emissions, while helping us to promote best practice to other organisations.

Find out more at balfourbeatty.com/bby/responsibility/casestudy



Our areas of focus

As part of our global sustainability vision for 2020, developed with our partners at Forum for the Future, we identified five key areas of environmental sustainability. Horizon scanning techniques were used to identify the future trends and issues likely to be critical to the success of the Group in a decade's time. Our focus areas are also aligned to the UK's strategy for sustainable construction published in 2008 and address climate change, waste, water, materials and ecology.

Climate change

Our global emissions of CO₂ from our vehicles, plant and buildings (excluding the US) were 307,187 tonnes in 2008 (241,426 tonnes in 2007). Our CO₂ emissions relative to revenue decreased 18% in 2008 to 31 tonnes/£m sales (38 tonnes in 2005). In the UK, we achieved a 30% reduction in CO₂ emissions relative to £m sales since 2004.

We believe that we have a responsibility both to reduce our direct carbon emissions and to look for carbon savings in the projects we design, build and manage for our customers.

Our approach has been to undertake research to determine where we can make the biggest contribution to reducing carbon in our projects and begin developing tools to help us reduce carbon impacts. Having examined the carbon footprint of a school, for example, we believe a more holistic view of carbon is required. Only 40% of a school's footprint is the energy use during occupation. The remaining 60% is derived from travel, catering, procurement, consumables and waste disposal. We are working with the Highways Agency, Network Rail, Atkins and Forum for the Future to develop the carbon footprint of a major infrastructure project over its design lifetime and in doing so, fill this gap in the sector's knowledge.

By improving our understanding of where best to reduce the carbon impacts of a project over its life cycle and ensuring future resilience to the impacts of climate change, we will be able to offer our customers truly sustainable solutions.

Waste

Our goal is to reduce the amount of waste we generate and manage waste as a resource to reduce demand on primary materials. Our operating companies seek opportunities to reduce, re-use, recycle and recover waste and to use recycled materials where possible.

In 2008, Balfour Beatty's overall operations (excluding the US) generated 833,425 tonnes of waste for disposal to landfill or treatment (703,733 tonnes in 2007). Over the same period, we recycled or recovered 2,831,983 tonnes of waste (2,375,308 tonnes in 2007). This represents a global recycling/recovery rate of 77% in 2008, up from 67% in 2007.

95% of reported waste we disposed in 2008 came from our UK operations. We have achieved a 37% reduction in waste disposed per £m revenue in the UK since 2005. We will continue to apply innovative waste management practices throughout our operations.

Water

In 2008, our overall consumption of water (excluding the US) was 1,685,801 m³ (1,328,456 m³, 2007). Relative to revenue, our global use of water decreased by 18% from 208 m³/£m sales in 2005 to 170 m³/£m sales in 2008.

Our focus has been to reduce water usage in our premises through the use of self-closing taps, waterless urinals and staff awareness campaigns; and on construction sites by capturing rainwater for plant cleaning and concrete batching or re-use in eco-friendly site cabins and for dust suppression. We also seek opportunities to provide new buildings with water saving technologies. For example, Balfour Beatty Construction US installed a grey water treatment system at the Bank of America, North Carolina that will reduce water usage by 40%.

Materials

We have made considerable efforts to procure timber for our projects from recognised sustainable sources and verifying the chain of custody of such materials through the supply chain. Our operating companies continue to procure increasing volumes of timber from well-managed responsible sources, such as those certified by the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forestry Certification (PEFC). Good chain of custody now exists for approximately 77% of timber procured across our global operations (excluding the US).

Our UK data demonstrates our progress over time for timber procurement. In 2008, 74% of timber, by spend came from a certified managed source (28% in 2003). Of that total, 55% was purchased from a purely FSC certified source (zero in 2003).

On many of our construction, civil engineering and utilities projects, we use demolition and other waste to meet some of our aggregate requirements. Re-processing waste material in this way minimises demand for primary aggregates, helping to conserve these sources of materials for future generations.

Ecology

Our goal is not only to protect ecological resources during our projects but to enhance ecology positively by improving habitats and species diversity.

Our operating companies produce biodiversity action plans for individual projects and a number produce annual plans that set out objectives for managing sensitive ecological areas such as periods of the year to avoid disturbance, provision of protection measures, creation of temporary or new habitats, briefings for staff and subcontractors on-site rules, ongoing monitoring and advice from in-house and external ecologists.

As ecological issues vary from project to project, we have found that each operating company must plan its own local measures for ecological protection and enhancement on a project-by-project basis.

Awards 2008

Balfour Beatty project team received the Chartered Institution of Waste Management's award for environmental excellence at Birmingham New Hospital. Read more online at www.balfourbeatty.com/bby/responsibility/environment/waste-management

Mansell and Haden Young won BREEAM Awards for the UK's top examples of sustainable design and construction www.breeam.org

Balfour Beatty Construction won the Westminster Property Owners' Association award for the most considerate building site of 2008

www.balfourbeatty.com/bby/responsibility/casestudy

M1 project recycling rate



Integrated responsibility

Valuing our people

Balfour Beatty's key asset is its people. Its products and services are the result of their talents, ingenuity and energies. We aim to attract and retain the best people in the industry, utilise their full talents and skills and ensure that they behave responsibly and ethically at all times.

2008 highlights

Employment increased in every territory – up 14% overall to almost 40,000

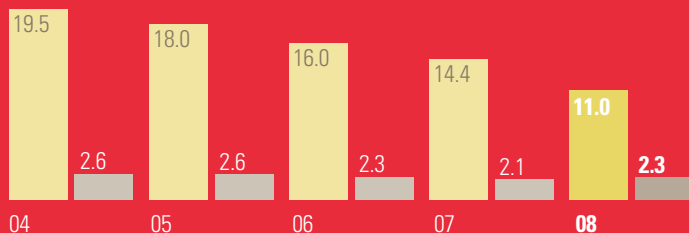
117% increase in the number of graduates recruited since 2004

Development of a range of people KPIs

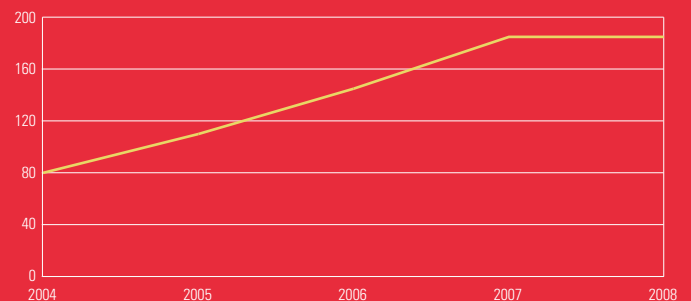
E-learning programme for ethical behaviour rolled out across the UK

% Voluntary employee turnover and absence rates

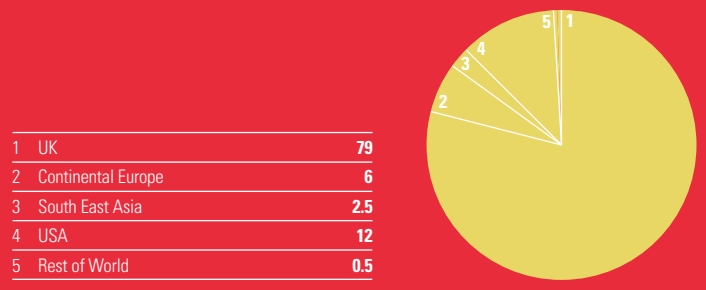
■ % voluntary UK labour turnover ■ % absence rate



Number of UK graduates recruited



% spread of worldwide employees 2008





Chairman's Innovation Prize

Each year, the Chairman of Balfour Beatty offers a prize to the graduate making the biggest contribution to innovation in the Group. Havesh Nagarajan, a civil engineer recruited as a graduate in 2007 in Gammon Construction, Balfour Beatty's joint venture in South East Asia, won the prize in 2008/09. He suggested that a fund be created to offset avoidable and undesirable environmental impacts.

Read more online:
www.balfourbeatty.com/bby/responsibility/people

Valuing our people

The management and motivation of our people has never been more important with the challenges arising from growth and from operating in a highly competitive market. Significant strides have been made during 2008 in the processes we employ to attract and manage our people and in offering the working environment which they value.

9.2% of UK employees are from ethnic minorities

1/11



Balfour Beatty has added 14% to its permanent workforce during 2008. We work hard at attracting graduates, at maximising our capture of skilled staff at all levels and at integrating employees joining the Group through acquisition or TUPE transfer. The retention of motivated, qualified staff is critical to the future success of the business. Voluntary employee turnover in the UK reduced further from 14.4% in 2007 to 11% in 2008, a reduction of 23.6 %.

We invest a substantial amount in training and development, providing a range of tailored courses and off-the-job development opportunities. An increasing number of individuals are subject to a formal development review each year. We try, where possible, to maximise local employment opportunities.

Balfour Beatty's expectations of employee behaviour are clearly spelt out in a suite of documents including explicit Business Conduct Guidelines. The majority of UK employees have been through an e-learning programme to ensure that they are fully conversant with what is required of them.

Significant emphasis is placed on communicating effectively with employees at all levels; giving our people opportunities to offer their own views; and to speak up about issues which they feel need to be brought to the company's attention.

Balfour Beatty's remuneration philosophy emphasises competitive basic salaries together with a strong performance-related element, which are consistent with attracting and retaining high-calibre people.

The Group's pension funds offer highly competitive benefits and there is an extensive network of communication, care and welfare facilities available to ex-employees.

Training and development

The Group invested more than £20m in training during 2008.

The growing number of graduates that are recruited every year, from a variety of disciplines are subject to a systematic programme of induction and development. In the UK, this includes a two-day induction conference at which they receive presentations from a number of the Group's senior management, including the Chief Executive and have a chance to network extensively.

Some months after their induction, they spend half a day, in small groups, with a director to offer their views on how their early work experience could be improved.

There is a comprehensive organisation and people review process which links the aspirations, talents and development plans of individual managers to the anticipated future needs of the business. Wherever possible, we seek to promote from within the Group.

There is a growing number of apprentices in the Group, spread across a range of our operating companies. In 2008, we recruited some 168 apprentices in total.

We are committed to managers and supervisors having demonstrable competence in both appropriate management or supervisory skills and for all employees to be able to demonstrate an appropriate skill level.

We expect managers and supervisors to give regular feedback to employees. The Performance and Development Review provides the opportunity for employees to identify and agree development objectives and the training or coaching required. This process is increasingly well-embedded across the Group.

The Group invests in the identification, assessment and development of leadership skills, for example, through development centres and development programmes run at a number of levels within the Group.

Diversity

Over the past decade there have been successive increases in the proportion of our workforce who are women or are of minority ethnic origin. In 2008, 20% of our workforce were women compared to 13% in 1999, and 9.2% of our employees were of minority ethnic origin, compared to just 4% in 1999.

In a growing number of our projects, diversity of employment has become a key objective when mobilising and resourcing project teams. Two good illustrations from current projects are the East London Line for Transport for London, and the Olympic Park for the Olympic Delivery Authority.

The East London Line passes through some of the most deprived boroughs in the UK. Balfour Beatty is working closely within a range of employment and training stakeholders to ensure that the communities of East London can benefit from employment and training opportunities relating to the project.

At least 12.5% of the general operative roles are ring-fenced for local candidates. During 2008 over 220 candidates have secured employment on the project through local training and employment offices. Four-week and eight-week placements give valuable experience in a working environment to unemployed people.

Retaining and developing graduate talent

Harnessing the talent we need to be able to sustain business growth is a challenge across Balfour Beatty's operating companies. In 2008 we refreshed our Graduate Development Programme, which offers graduates three years of structured learning to complement the experience gained on-site. The training focuses on core leadership and project management skills, but also facilitates networking with peers from across the organisation. Senior leadership also take the time to listen to this key population; 139 graduate trainees attended 23 sessions with senior leaders to give their feedback in 2008.

Find out more at balfourbeatty.com



Ethics and behaviour

Balfour Beatty employs approaching 40,000 people worldwide. Each individual is expected to act as an ambassador for the company. The company's expectations of all employees are clearly and explicitly communicated.

Balfour Beatty people are expected to understand and abide by the Company's core values and its principal commitments. To work hard, be reliable, conscientious and approachable. To be proud of their company and motivated to contribute to and share in its success. In return, they are supported by the company in their efforts to do their jobs to the best of their ability.

Our Business Conduct Guidelines were produced in 2006. These explain, in detail, required behaviour. Our employee survey undertaken in 2007/08 confirmed that the majority of respondents were fully aware of the Business Conduct Guidelines.

In 2008, steps were taken to embed, as well as communicate, required behaviour throughout the Group. An online e-learning tool was developed which all employees are expected to complete. This programme ensures employees are fully conversant with the requirements of the guidelines and promotes comprehension through a series of case studies and exercises.

Stretching industry standards on training

In partnership with Salford University, Balfour Beatty Construction Northern launched a new training course, having identified a need for advanced training in project management for the construction industry. The course gives participants training beyond that which was previously available in the UK, and reflects the Group's deep commitment to ensuring we have the skills we need to deliver exceptional work for our customers. Balfour Beatty staff are due to complete the course in May 2009, with the 2009 intake also taking students from other companies in the sector.

Find out more online
balfourbeatty.com/bby/responsibility/people



Communication

There are regular management conferences for the top 40 and top 250 management cadre from across the Group.

Most operating companies have an intranet through which key issues are communicated while all major corporate announcements and issues are communicated widely across the Group in a timely manner.

All employees receive a six-monthly magazine that covers in details the latest financial information, news and events from around the whole Group, including safety, health and environment topics and matters of general employee interest.

Individual businesses use a variety of methods to communicate key business goals and issues to employees and also to consult and involve their employees.

Whistleblowing

There is a Group-wide whistleblowing policy in place. During the course of 2008, 28 cases were raised. All issues have been addressed and successfully concluded.

Volunteering

Operating companies are increasingly offering their employees opportunities to volunteer their time and expertise for a range of good causes, including the Group's Building Better Futures charity initiative and in support of the Group's sponsorship of the London Youth Games.

Related links

Recruiting local people can make a difference to our projects. Find out how at:
www.balfourbeatty.com/bby/responsibility/people/recruitment-graduates

More detail on process about training and development can also be found online:
www.balfourbeatty.com/bby/responsibility/people/training-development

People case studies are available to browse at:
www.balfourbeatty.com/bby/responsibility/casestudy

Integrated responsibility

Engaging with communities

Balfour Beatty's everyday business, in the creation and care of essential physical assets, makes a strong contribution to community wellbeing. We regard good corporate citizenship as an integral part of our business mission and seek, wherever possible, to improve the social environment as well as create the physical amenities on which communities rely.

2008 highlights

Building Better Futures charitable fund created to help disadvantaged young people

First full-year of £1.7m sponsorship of London Youth Games

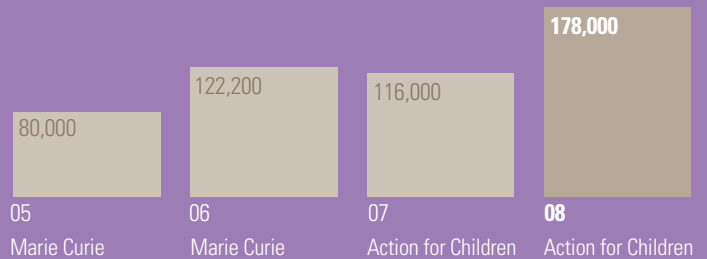
Employee volunteering programme introduced to support the Games

Received The Prince's Trust Award of Excellence for work in "Get Into Construction"

First year of Heery Community Service month in the US

Commitment to fund at least five disability learning centres for Action for Children

Contribution to Balfour Beatty "Charity of the Year" £



These corporate charities exclude donations by operating companies.



Community service month

In September 2008, Heery International, Balfour Beatty's US professional and technical services arm, held its first company-wide Community Service Month. The programme has the dual objective of helping to unite Heery people across the country in a common cause and for Heery to give back to the communities in which their people live, work and play. Five hundred employees and their families from 19 offices in cities ranging from Atlanta to San Diego participated in a range of programmes and activities focused on young people, home repairs and environmental improvement. The 2009 Community Service Month in April involved over 650 people from 26 offices.

Read more online at
www.balfourbeatty.com/bby/responsibility/community

Community engagement

Balfour Beatty is active in supporting its key communities at every level of the organisation. All major projects have a community engagement manager and associated programme; operating companies have programmes relevant to their specific business environments and the Group supports a range of initiatives, largely aimed at improving the motivation and quality of life of young people.

2009 Charitable Fundraising Target

£500,000



Operating principles

In all of our dealings, we are committed:

to develop constructive relationships with regulators, influencers and other interest groups and communities across the sector markets and geographies in which we operate;

to work with all stakeholders in a manner consistent with our core values;

to operate in accordance with both the letter and the spirit of the all relevant legal and professional standards in our dealings with the wider community;

to communicate openly and appropriately with all stakeholders;

to ensure that all our business and the associated relationships are conducted to the highest ethical standards;

to honour all agreements made with stakeholders.

We believe that, while our core work enhances the physical environment of the communities in which we operate, we also have duties and opportunities to enhance the social environment.

Project level

It is the Group's policy that all our major projects should employ a specialist and dedicated community relations team and that all staff should engage positively with the local community in which they are operating.

On large schemes, this team arranges exhibitions for local residents and interested parties ahead of the commencement of work. Newsletters and letter drops are then used to keep people up-to-date on key project milestones and potential disturbance.

Key stakeholders are offered direct access to projects and project staff and, when necessary, we liaise with local emergency services and the police, including setting-up help lines.

Many of our projects include regular visits to schools and local institutions. One of the benefits we can provide is employment on project sites to local people, as well as educating them about opportunities in the construction industry.

Community relations on the M1

Good community relations were of paramount importance on the M1 junction 6-10 widening project, completed in 2008.

Information was disseminated before and during the project through regular newsletters, consultation meetings and updates for local organisations' websites. Lectures and talks were given to local schools, parish meetings, local historical societies and other groups. Further afield, key events on the project were communicated in advance at motorway service stations, ports, ferries, transport cafés, filling stations and supermarkets.

Regular charitable donations were made to local good causes and the project participated in the local county show.

Find out more online
balfourbeatty.com/bby/responsibility/community



Operating company level

The decentralised organisation structure of the Group and the significant degree of autonomy offered to its constituent parts ensures that each operating company develops the community relations policies and practices best suited to its business profile and objectives.

In consequence, we have a variety of different models, ranging from the fully integrated programme "Lifeworks", delivered by Balfour Beatty Communities on the US Armed Forces bases where it has long-term responsibility for the family status housing stock, through the semi-structured programme of staff community outreach activities facilitated by Heery during its "Community Service Month" to the wide range of individual and team initiatives encouraged and facilitated by Balfour Beatty Capital in the UK.

LifeWorks at Balfour Beatty Communities

Balfour Beatty Communities builds and maintains family housing under 50-year concessions on 44 US Army, US Air Force and US Navy bases across the United States.

In addition to the work for which it is contracted, Balfour Beatty Communities develops and plans programmes, activities and events tailored to the needs of service families. These include community service programmes, intellectual programmes for children and adults, life management programmes, personal safety programmes, physical wellbeing programmes, social programmes and specially tailored programmes for those left behind when their spouses/parents are away on active service.

Lifeworks makes a major contribution to the quality of on-base life and to attracting and retaining families in the service environments.

Find out more online
balfourbeatty.com/bby/responsibility/community

London Youth Games

Sport promotes self-worth, healthy lifestyles, team skills and social cohesion. The London Youth Games is Europe's largest youth sports programme, and will engage over 25,000 London school students in 33 sports. Balfour Beatty is the lead sponsor for the Games for the period 2008-2013. As a long-term partner, we will contribute over £1.7m of core funding to support the Games' aim to double sports participation levels by 2012.

Find out more at www.balfourbeatty.co.uk/bby/responsibility/community



Corporate level

Balfour Beatty is engaged in a number of initiatives aimed at improving the aspirations, motivation, quality of life and achievement levels of young people, particularly those suffering from some form of disadvantage. This overall objective finds its expression in a range of programmes and activities.

Helping to tackle some big issues

Poverty

Balfour Beatty is a supporter of Engineers Against Poverty, a UK-based non-governmental organisation committed to producing practical policies and solutions to support the alleviation and ending of world poverty.

Corruption

We are members of Transparency International, a global civil society organisation, which plays a leading role in improving the lives of millions around the world, by building momentum for the anti-corruption movement, raising awareness and diminishing apathy and tolerance of corruption, as well as devising and implementing practical actions to address it. We are also members of the UK Anti-Corruption Forum.

Homelessness

Our Chief Executive, Ian Tyler, is President of CRASH, the construction industry charity which helps the homeless across the UK. A number of corporate events are held in support of the charity.

Charitable giving

In Balfour Beatty's centenary year, we have launched the Building Better Futures programme.



In the UK, we are working with The Prince's Trust and Action for Children. The Prince's Trust operates a range of programmes to assist young people in need of help. We are supporting the Community Cash Awards scheme, whereby disadvantaged young people living in deprived communities are granted funds to put their own good ideas to improve their community into action, and in so doing increase their own motivation and sense of self-worth.

Action for Children provides a wide range of services to children in need. Our efforts are being focused on providing disability learning centres, initially, at five of the organisation's existing children's centres, throughout the UK. Mentally and

physically disabled children, who are often denied the important developmental opportunities provided by interactive play, will have special play areas and facilities built and installed to help them develop and learn.

Outside the UK, through its international subsidiaries and joint ventures, Balfour Beatty will be funding programmes and causes appropriate to local need.

Balfour Beatty hopes, through a combination of corporate funds and money raised by its employees, to deliver up to £500,000 in 2009 to support these causes.

Stoke Football Action

Identifying young people at risk of social exclusion and helping them integrate with mainstream activities makes an important contribution to community cohesion and individual wellbeing.

When Balfour Beatty, through Transform Schools, became the PPP concession company charged with upgrading the entire school stock in Stoke-on-Trent, it discovered very substantial vandalism in some of the schools for which it had become responsible. In conjunction with Stoke Council Education Department, the company devised a football coaching and competition structure specifically targeted at the most difficult students in the most difficult schools.

Balfour Beatty's proposal and its £100,000 commitment elicited a further £240,000 of funding from SportsMatch and the Football Foundation creating a scheme which has so far engaged almost 550 young people from 17 schools at both primary and secondary school level.

Vandalism and anti-social behaviour has fallen dramatically in the schools concerned since the programme's inception. The programme has now entered its final year.

Supporting education provision in Burnley

As part of Balfour Beatty's ongoing relationship with Business in the Community, Balfour Beatty has committed to a range of actions to help improve the educational and social environment in Burnley, following participation in a "Seeing is Believing" visit.

Balfour Beatty is partnered with Blessed Trinity RC College – a secondary school with 1,400 pupils aged 11–16, and following a number of planning discussions in June and July, the partnership was formally launched in September 2008.

Get Into Construction

The Prince's Trust scheme, Get Into Construction, offers four weeks of basic construction skills training to disadvantaged young people aged between 16 and 25 around the UK with the strong prospect of entering into full-time training or employment in the industry. The initiative began in 2006 with Balfour Beatty as a founder member. Since that time more than 700 young people have been through courses, which include a short spell of work experience. 80% of these young people are now in full-time employment or training.

There are already 21 courses planned for 2009 with a large number of others in the pipeline. In 2008 Balfour Beatty received an Award of Excellence from the Trust for its outstanding contribution to developing the programme.



Related links

Full community stories can be found online at

www.balfourbeatty.com/bby/responsibility/casestudy

Bibliotheca Alexandrina: full and final settlement in 2008

During 2008, we reached a full and final settlement with the Serious Fraud Office in respect of the Bibliotheca Alexandrina project.

On 6 October 2008, Balfour Beatty announced that it had reached a settlement with the Serious Fraud Office (SFO) in relation to a three-year investigation into certain payment irregularities in connection with the execution of the joint venture contract to build the Bibliotheca Alexandrina in Egypt. The contract to build the Bibliotheca had been entered into in 1996, and was completed in 2001 by a Balfour Beatty business that was discontinued over seven years ago.

The SFO's investigation determined that there was a failure to keep accurate records within a subsidiary of Balfour Beatty, but that no proceedings should be commenced against any individual or corporate body. As part of the civil settlement, Balfour Beatty agreed to pay a sum of £2.25m. We also agreed to implement certain compliance measures and to appoint an external monitor to review Balfour Beatty's anti-corruption processes, and how they were being implemented across the business. We then agreed that the report of the external monitor would be summarised in the Corporate Responsibility Report of Balfour Beatty.

Following the settlement with the SFO, Balfour Beatty appointed the Global Infrastructure Anti-Corruption Centre (GIACC) to report on the anti-corruption programmes which exist within Balfour Beatty. A detailed review has been conducted by GIACC on Balfour Beatty plc, and on six of the group's 26 operating companies. GIACC will review the other 20 operating companies during the next financial year, and will continue to review the group on an ongoing basis. The main conclusions of the report in relation to the companies reviewed can be summarised as follows:

- There is a high level of awareness of the risks of corruption within Balfour Beatty and a belief and desire that Balfour Beatty should be run in all aspects as an ethical company and in compliance with the law.
- The tone from the top of the organisation, from the Board downwards, is appropriate, and a senior individual has been allocated responsibility for anti-corruption compliance.
- Balfour Beatty plc's documentation and procedures are well written and in compliance with international best practice. There are some areas which could be improved, and these are being addressed.
- The procedures set out in the various documents are being implemented effectively, although there are certain areas in respect of which improvements could be made, and these are being addressed.
- Training has been given to the majority of appropriate individuals, and the balance will be given training in the near future. A need has been identified for more specialist training for certain key staff, and this is being addressed.
- The processes used to approve the appointment of agents and the payment of commissions is a robust process which is operated rigorously.
- While due diligence is undertaken in respect of joint venture partners and third parties with which the Group operates, this could be enhanced and more formally documented and the process is being refined to support this recommendation.
- A whistleblowing system exists which captures ethical behaviours, but this could also be further refined and developed.

Regular reports on progress are made to the Board of Balfour Beatty plc, and a further update will be provided in future corporate responsibility and sustainability reports.

Assurance statement

The views of our stakeholders help to shape our approach to Corporate Responsibility and influence how we report our progress. For the first time, we asked a panel comprised of our key stakeholders to provide an independent opinion of our 2008 Corporate Responsibility Report.

Stakeholder Panel

This year, we asked six experienced practitioners in the field of corporate responsibility and sustainability across our sectors of activity, to review our report and approach to responsible business. The Stakeholder Panel met in March and again in April 2009, to provide an independent opinion of our 2008 corporate responsibility and sustainability report. These sessions were facilitated by URS, a sustainability and engineering consultancy.

Panel membership

- Ian Gearing, Corporate Responsibility Manager, National Grid (Panel Chairperson)
- Dean Kerwick-Chrisp, Sustainability & Climate Change Principal, Highways Agency
- Paul King, Chief Executive of the UK Green Building Council
- Tony Ellis, Principal Environmental Specialist, Network Rail
- Richard Stathers, SRI Equity Analyst, Schroders
- Matt Gorman, Corporate Responsibility and Environment Director, BAA.

The brief

The Panel's brief was restricted to reviewing an initial and final draft of our 2008 Report, in terms of its scope, any omissions of materiality and recommend areas for improvement.

You can access the Terms of Reference for the Panel online:

www.balfourbeatty.com/bby/responsibility/performance/stakeholder_panel

Opinion statement

The following comment is an extract from the panel's full statement:

"The Balfour Beatty 2008 Report provides a clear picture of the Company's evolving sustainability agenda, its progress against some of its key targets, and where it expects to be in the future. The level of transparency and disclosure, particularly in the web-based report, is high and reflects both good and bad news.

Panel members commented on the lack of clear targets for the Company's key performance indicators other than those associated with the 'Zero Harm' initiative but at the same time recognised the completion and roll out of the roadmap will provide the opportunity to close this gap.

The panel also felt that more care needs to be taken with some terminology that can be confusing to readers of the Report (for example, the use of 'people' vs. 'workforce' to differentiate between direct employees and contractors).

In conclusion, the Panel felt the performance presented in the Report is representative of Balfour Beatty's sustainability performance and that the Company is genuinely committed to becoming a global leader in addressing the risks and identifying the opportunities and benefits from fully integrating sustainability into its business activities. Given the scale and breadth of these activities, the potential for Balfour Beatty to make a very positive social, environmental and economic impact is significant. We encourage the company to continue its 2020 vision journey and to maintain the quality of its reporting as it progresses on its roadmap."

The views of the Panel are reproduced, without amendment from Balfour Beatty, on our website at www.balfourbeatty.com/bby/assurance together with our response.



Paul King



Tony Ellis



Ian Gearing, Matt Gorman



Mixed Sources

Product group from well-managed
forests and other controlled sources
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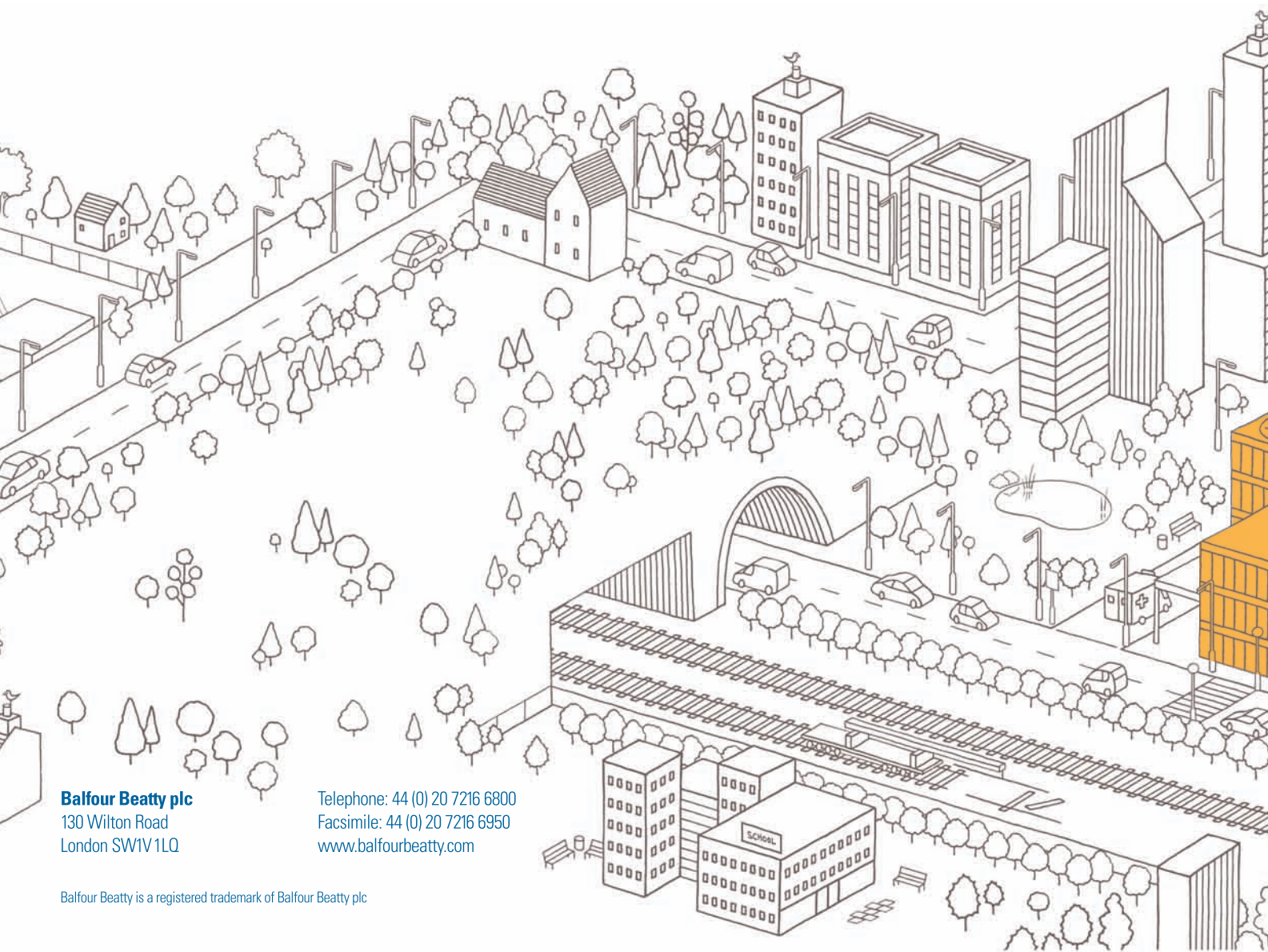
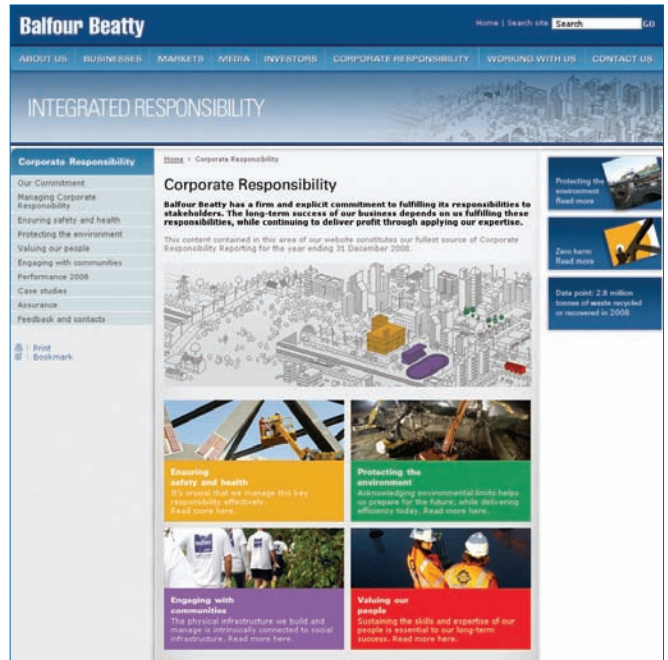
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