

RESPONSIBLE

ETHICS, VALUES & COMPLIANCE

ETHICS & VALUES

Balfour Beatty has a well-developed ethics and compliance programme. We consider that we have all the key components of a strong compliance programme in place. Our focus now is on continual improvement and enhancement of our programme and monitoring the areas where we believe we are most at risk as they evolve. We are also looking at ways to enhance our programme to make it increasingly accessible to our people, our goal being to have a world class compliance programme that demonstrates our thought leadership in this area.

Core areas of focus

One of our primary areas of focus during 2014 has been taking steps to ensure our programme remains fresh in the minds of our people and is increasingly embedded throughout the Group.

It is important to do more than just have a Code of Conduct. We also need to ensure it is properly embedded throughout the organisation and that we work with partners and suppliers who have similar values. The continued emphasis we place on acting with integrity is clearly in line with many Clients' wishes as we continue to see a steady increase in questions from clients seeking information and assurance about our ethics and compliance programme, specifically, our anti-bribery compliance programme. Further, , we work with our own supply chain on an on-going basis to embed a shared commitment to ethical business conduct, underpinned by our award winning Code of Conduct for our Sub-contractors, Suppliers and Partners.

The sale of Parsons Brinckerhoff has resulted in Balfour Beatty no longer operating in several jurisdictions which typically pose a high risk of ethics and compliance violations. However, we continue to work in a number of higher risk countries. We also acknowledge that the construction and engineering sector is a high risk sector in general. Accordingly, we continue to have in place extensive anti-corruption measures to prevent such conduct. Additionally, Balfour Beatty is mindful of the broader ethics risks which exist within in the sector.

In addition to the traditional areas of ethical risk, we have observed new areas of focus emerging - in particular with respect to human rights including those of children and labour conditions. Balfour Beatty has included human rights matters within our Code of Conduct for many years. Nevertheless, the global community is placing increased expectations on companies to consider human rights breaches which may arise in their businesses. We welcome and share this expectation. We view human rights primarily as an extension of our determination not only to treat our employees with respect but also to obtain assurance about ethics in our supply chain. Wherever we work in the world we ensure we do not exploit anyone and we will refuse to work with any individual or organisation that fails to uphold these standards." Intrinsic to our values is our belief in upholding the fundamental rights and freedoms of individuals set out in the United Nations Universal Declaration of Human Rights.

To offer our people more opportunities in Dubai, we have set up a training centre for blue collar workers to improve their skills and take up new technical roles as part of their continual professional development. Through an assessment programme operatives are able to learn and demonstrate their skills, incentivising them to acquire new skills and improve their career prospects.

Our Overhead Transmission Line Training Centre in the Philippines offers us the opportunity to train for a worldwide market, offering trainees internationally-recognised qualifications and training to ensure safety and quality on our global electricity transmission projects. The training is a rigorous programme, covering safety, installation and jointing of overhead line conductors, electrical testing of equipment and installation of steel works. Upon completion of the programme, trainees achieve an International Vocational Qualification (IVQ) in Electrical Power Engineering, which has the same high standards as its UK equivalent the NVQ and is awarded by City and Guilds. This means that competencies and training are consistent across the whole of Balfour Beatty, in all territories. To date we have trained over 300 overhead transmission line workers through the training centre.

Some of our key initiatives in 2014

New training for site-based staff

- As part of efforts to embed the ethics programme across the business, we developed a new training for our site-based staff. The training, a video facilitated by leaders on site, provides our site staff with practical and relevant guidance on our values and the standards of ethical behaviour we expect of all people working on our sites. An extract of the training is available at www.balfourbeatty.com.
- The vast majority of our site based staff have completed ethics and values training and going forward will receive periodic refresher training.

Whistleblowing Hotline and Investigations Review

- Balfour Beatty encourages and supports its staff and wider community to report any concerns about unethical conduct. We treat all concerns seriously and investigate all good faith concerns wherever possible.
- During 2014 we ran a promotional campaign for the existing Ethics Helpline across certain business units which saw a marked increase in the reporting of incidents in those areas of the business. We do not believe this reflects a decline in business behaviour but rather an increase in transparency and speaking up.
- In order to ensure that we are doing enough to both encourage reporting and investigate allegations to the best of our ability, Balfour Beatty conducted an end-to-end review of its Ethics Helpline and investigations processes during 2014. Several reforms were identified and are in the process of being implemented.
- In particular, at the end of 2014 negotiated an agreement to transition to a new whistleblowing hotline service which was implemented early 2015. The new hotline, Speak Up, is intended to provide improved interaction with whistle-blowers and collection of vital information as well as better case management technology to support the investigative team.

Reporting of incidents

In 2014, 270 helpline cases were reported. Whilst this is broadly the same number of reports as 2013, it reflects a higher rate of reporting per 1000 employees as our total number of employees decreased in 2014. We benchmark our reporting rates against our industry and worldwide figures. That benchmarking exercise indicates that we have a healthy number of reports in our business but we would like to see a higher level of reports to provide further comfort that people are speaking up about most or all issues in the business.

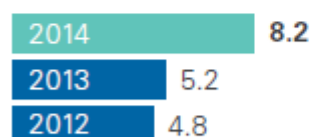
Number of Ethics Helpline cases



Number of Ethics Helpline cases (excluding HR grievances)



Number of cases per 1,000 employees (Balfour Beatty)



Number of cases per 1,000 employees (global benchmark)



Unfortunately we haven't always gotten this right. We have previously acknowledged using the services of the Consulting Association up until 2009 to carry out reference checks ('blacklisting') on employees in the construction industry. It should not have happened and we have apologised to the works and families who may have been adversely affected over the years by this. For Balfour Beatty, this is an historic issue. Balfour Beatty is one of eight UK construction companies which have joined together to establish [The Construction Workers Compensation Scheme](#) to compensate workers whose names were on the Consulting Association database. The Scheme launched on the 4th July 2014.

Leading the way in Business Ethics

Balfour Beatty is proud to be a leader in business ethics in the construction and engineering sector.

Business Integrity Round Table

- During 2014 we identified a need for the industry to work together to develop best practice in the space of business ethics.

- As a result Balfour Beatty spearheaded the formation of an industry focused Business Integrity Round Table made up of both service providers and our clients. The inaugural meeting was held in January 2015 and the meetings will be co-chaired by our Group Head of Ethics & Compliance.
- Participating clients have thanked us for driving this initiative which they consider to be valuable.

Investing in Integrity™

- Investing in Integrity™ is a UK Charter Mark designed to enable an organisation to reassure its key stakeholders that its business can demonstrate a commitment to act with integrity at all times by testing its ethical conduct to ensure those values are properly embedded.
- Several divisions of Balfour Beatty have completed the requirements to achieve Investing in Integrity™ accreditation during 2014. We are working towards full accreditation for Balfour Beatty in early 2015.

HEALTH & SAFETY

With operations in the UK, US, Middle East and South East Asia, we span many cultures and environments and it is vital that we operate to high professional standards in every location.

Only by setting the highest standards for ourselves will we be able to retain the trust of our customers and the people using our infrastructure.

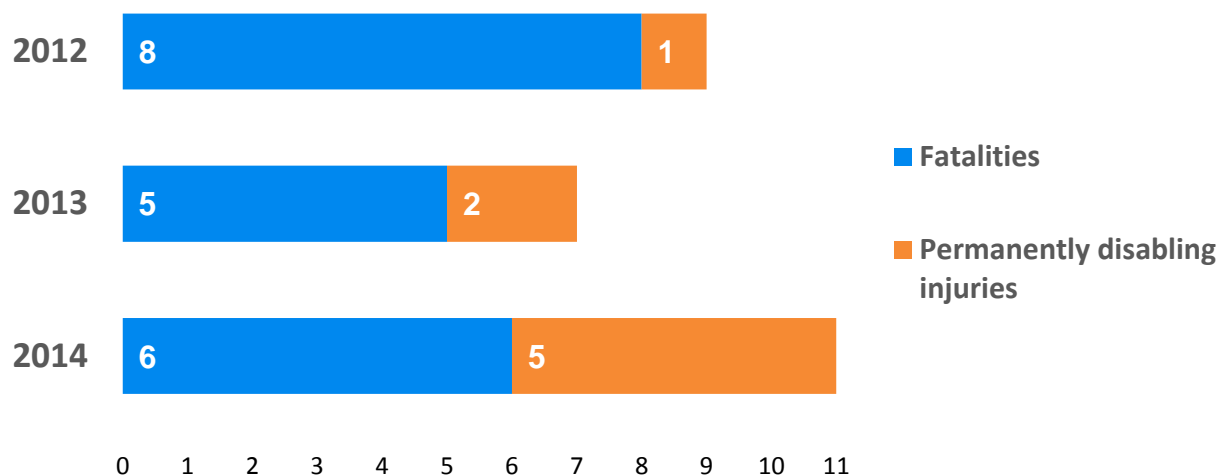
We work to the challenging safety requirements set out in our Zero Harm Roadmap 2013–2017. Each business must follow the requirements, and the extent to which they meet them is verified externally. Furthermore, we have a set of rules that define the way we work called our Global Safety Principles (GSPs) are a set of rules that define the way we work. As a result of our tough stance on eliminating safety risk, our businesses are developing smart and innovative solutions to prevent incidents and keep people safe.

Despite our unwavering focus on safety, as a result of our work activities in 2014, six workers lost their lives across our Group. The incidents occurred in the UK, Germany, US, Hong Kong and the UAE. Three of the workers were employed by sub-contractors and three workers were direct employees. The fatality in the US was the result of a road traffic accident.

Every fatal accident is subject to a thorough investigation and a detailed review by the Chief Executive and the executive team.

To ensure improved future performance, in 2014 five Chief Executive reviews were held covering each business area and joint venture business. As a result of the reviews, a number of lessons learnt were shared across the Group, including the need to tackle individual behaviour, tighten control of sub-contractor operations, and improve driver risk policies.

Figure 1: Fatalities and permanently disabling injuries



In 2014, we changed our primary lagging indicator of Health and Safety (H&S) performance from Accident Frequency Rate (AFR) to Lost Time Injury Rate (LTIR). The LTIR, a universally recognised measure, is a more thorough indicator and has been selected to help us achieve our Zero Harm goal. It recognises all lost time injuries and injuries that result in restricted duty or transfers, and includes direct, indirect and joint venture employees. At year end our LTIR for the entire Group was 0.27. For comparison our LTIR in 2013 was 0.23 compared to 0.26 in 2012 and 0.29 in 2011. As a result of workplace injuries, our workers lost 5,792 days during 2014. This is an improvement on 2013 (5,996).

Figure 2: Lost Time Injury Rate



According to incident data collated and prepared by ENCORD (European Network of Construction Companies), these figures represent some of the lowest levels of absence due to workplace injuries compared to our competitors across Europe. 2,797 total injuries were sustained by our workforce in 2014 which is 15% less than 2013 (3,273).

In 2014 our business won a number of awards recognising safety excellence. We were named Safe Railroad Contractor of the Year by the National Railroad Construction & Maintenance Association for the third consecutive year in the US, and won six awards, more than any other company, at the annual Heathrow Health and Safety Awards.

In 2015 and beyond, we will maintain our Zero Harm goal of zero fatalities, zero disabling injuries, zero injuries to members of the public and zero new cases of long term harm to health. We are renewing our focus on the elimination

of fatal risks, increasing the level of personal accountability for safety and determining revised Health and Safety targets for each business and the Group as a whole.

ENVIRONMENTAL COMPLIANCE

In 2014, 10 environmental incidents (2013: 4, 2012: 4) resulted in enforcement action and fines totalling £9,917 (2013: £13,260, 2012: £66,800). These ranged from £420 to £5,100. Corrective actions have been completed for each violation. Six of the violations related to noise, two related to allowing mosquitos to breed, one related to an unauthorized discharge and one to soil erosion.

Figure 3: Global environmental fines

	2010	2011	2012	2013	2014
UK	-	£750	-	-	£420
Europe	-	-	-	-	-
North America	-	US\$15,000	US\$89,000	-	US\$8,000
ROW	SG\$23,200	SG\$17,000	SG\$20,300	SG\$27,990	SG\$9,000