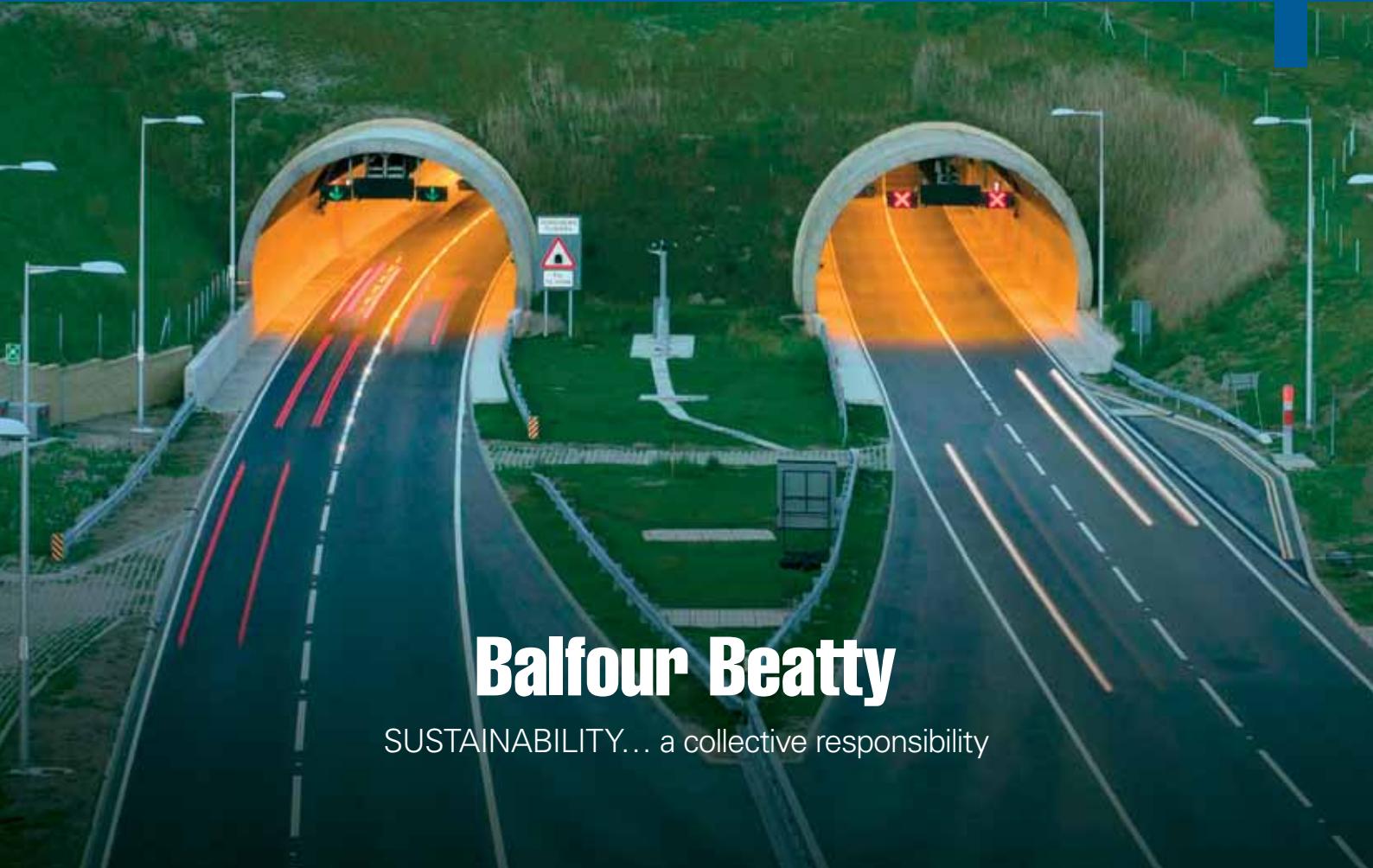




Sustainability Report 2011



Balfour Beatty

SUSTAINABILITY... a collective responsibility



We set out our sustainability vision, and the roadmap for delivering it, in 2009. Since then, we have been playing our part in embedding sustainability into everything we do, across the infrastructure lifecycle. This makes a positive difference to people's lives and helps to grow our business.

This, our 11th sustainability report, sets out our progress on our journey to achieve sector leadership in sustainability by 2020. You can navigate your way around the report:

1. Via the contents list below, or
2. Through the key messages on [P10](#) and [P11](#), or the
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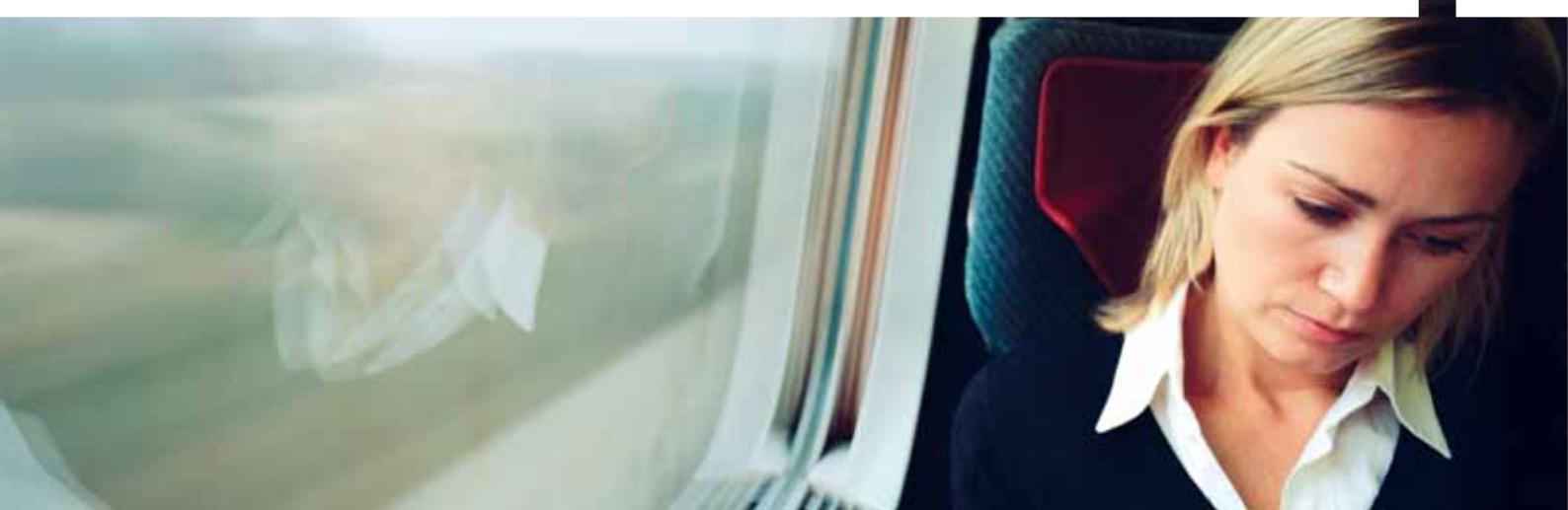
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Chief Executive Officer's statement



"In these times of economic uncertainty it is increasingly difficult for companies to balance the demands of remaining competitive and giving full consideration to the communities and environments in which they work to ensure a truly sustainable business strategy. At Balfour Beatty we have looked at these demands in a holistic way and created a vision and roadmap to ensure sustainability remains at the heart of what we do."

Our stakeholders want and expect us to behave in a way which reflects our position of leadership – in everything we do. Balfour Beatty believes in doing things the right way. Our ethics and values are engrained across the business and provide a clear guide to all our people, helping them to make the right decisions on a day-to-day basis.

In 2011 our efforts to embed our ethics and values across the business continued apace. We also put significant focus on bringing the many thousands of subcontractors and suppliers, consultants and joint venture and consortium partners in line with our ethics and values by launching a new Code of Conduct for our supply chain. As we continue to expand our business into new, often higher-risk, markets we must put great focus on embedding appropriate procedures and controls to minimise supply chain and other third party risks.

Our 2020 sustainability vision and roadmap perfectly aligns our sustainability goals to our strategy. Achieving our business strategy also means fulfilling our responsibilities as a corporate citizen. Sustainability really is at the heart of our business... in every sense. We delivered £2.5bn of sustainable infrastructure last year, from buildings to renewable energy assets.

This is our 11th Group Sustainability Report and, for the first time, we are producing it in digital form only. We believe this will give readers the opportunity to understand more fully how we are operating as a responsible company through a broader online report experience.

Balfour Beatty took very significant steps forward on its sustainability journey in 2011, making good progress on our 2012 environmental targets for water and waste to landfill. However reducing our carbon emissions has been more challenging and we will renew our focus in this area in 2012. We have made significant advances in employee engagement helping our people to understand the positive role they can play in delivering our 2020 vision and roadmap.

Across the business as a whole we have continued to push home our Zero Harm health and safety campaign, with success in many businesses. Tragically, however, 2011 saw the deaths of five of our employees, all from our Hong Kong joint-venture company, Gammon Construction. These unacceptable incidents are all being thoroughly investigated and we will work tirelessly to ensure that we learn from these mistakes and are ever more committed to attaining our Zero Harm ambitions.

Our customers now face ever greater challenges in a world where the harsh economic realities put huge pressure on decision making. It is our responsibility to understand these challenges and to find solutions that will help our customers develop more sustainable businesses. The transition to a green economy, for example, generates opportunities that play directly to our strategic aim to focus on growth sectors.

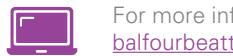
As we continue to grow and build our business in new markets and sectors we will ensure that this leadership position is built on a truly sustainable platform.

Ian Tyler
Chief Executive
5 April 2012

Group at a glance

The sustainable management of social, economic and environmental resources is high on the agenda of governments and key decision makers around the world. This offers an opportunity to companies such as Balfour Beatty to play a key role in the development of the global "green economy".

Balfour Beatty has continued to develop innovative sustainable solutions for its customers around the world and in 2011 had revenues of £2.5bn through sustainable projects/products. The knowledge gathered through experience together with our relationships with key asset owners puts us in a prime position to help deliver a more sustainable future for society.



For more information go online:
balfourbeatty.com/sustainability

Waste avoided

4 million

tonnes of waste avoided from landfill in 2011 worldwide

Sustainability training

25,000

people provided with sustainability training

Sustainability is at the heart of our business strategy

Grow in new markets and vertical sectors

Our strategy of concentration on growth markets is perfectly aligned with our efforts to grow our business by focusing on the markets with the greatest potential in the low carbon economy. This represents a £200bn market opportunity in the UK alone over the next decade.



Deliver greater value to the customer

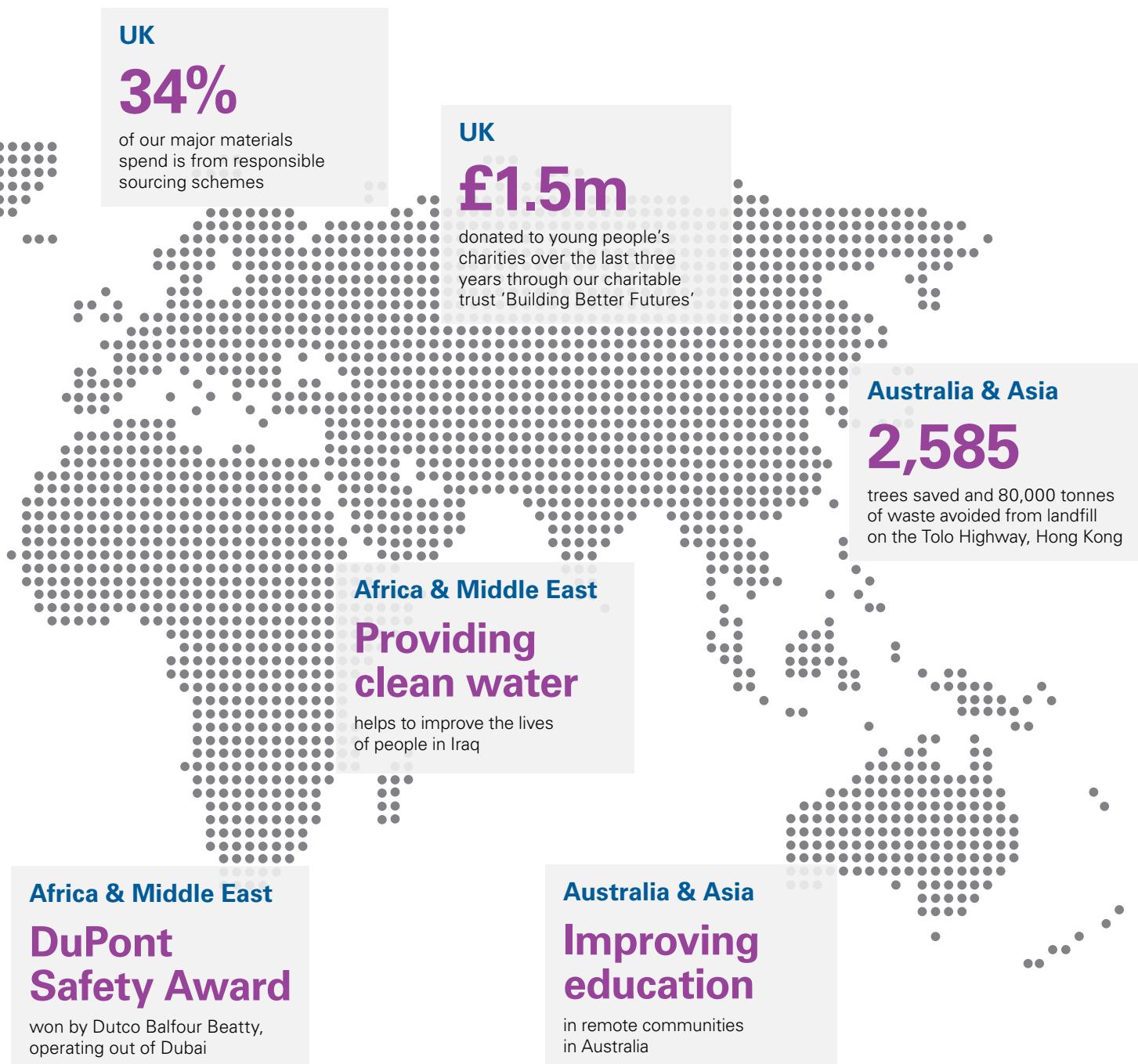
Through our deep understanding of our customers' assets and the insight that our infrastructure lifecycle approach brings us, we are able to bring holistic and bespoke solutions to help companies meet their own sustainability challenges.

-45%

Waste to landfill
 (vs 2010 baseline)

40%

share of UK offshore wind energy transmission assets



Continue to show leadership in values and behaviour

To be recognised as the leading provider of infrastructure services – and to secure a sustainable, long-term future for the Group – we must also be a leader in areas such as ethics, safety and sustainability.

-17%

Water use in 2011
(vs 2010 baseline)

284

cases were reported to our ethics helpline

Improve operational performance and cost-effectiveness

Efficiency is a critical element of our sustainability approach. By better utilising physical and human resources across the Group we deliver products and services to our customers that are more cost efficient and ultimately sustainable. Our market-leading approach to innovation also allows us to bring leading-edge solutions to market that help embed sustainability over the lifecycle of infrastructure assets.

About this report

Report scope

This is our 11th annual sustainability report and covers our worldwide operations for the 12 months ending 31 December 2011 (unless stated otherwise). Our approach and management systems cover our global activities and we report on incidents and penalties on a global basis.

We collate safety data for all of our wholly owned activities and for those joint ventures where we have management control. Sub-contractor safety performance is included for all activities apart from the US, where it is not common practice.

Our environmental data is reported for all wholly owned operating companies worldwide and for those joint ventures where we have management control. We report data in both absolute numbers (eg tonnes of waste) and normalised against £m revenue (tonnes of waste/£m revenue). The turnover figure used differs from the total revenues for the Group as it excludes environmental data from minority interests where we do not have management control.

We report on employee data for all our wholly owned businesses worldwide. Where possible we refer to the people that work directly for Balfour Beatty or our joint venture businesses as "employees" throughout the report. Our people data is reported in terms of "staff" (employees who are primarily office-based) and "operatives" (employees who are primarily project or site-based). Non-safety related people data (such as diversity and appraisals) is collected for wholly-owned operating companies only.

Detailed guidance is provided to operating companies on the reporting of sustainability related data to Group for use in this report. Specific details of calculation methodologies adopted are presented within the relevant sections of the report.

During 2011, our UK trackwork manufacturing business was sold. Acquisitions included OPL (an office fit-out contractor in the UK), Howard S. Wright and Fru-Con Construction (west coast construction business and a wastewater contractor respectively USA) and Power Efficiency (an energy procurement and consultancy based in the UK).

These businesses are excluded from this year's sustainability reporting and will report next year, in line with our policy for new businesses to report after a full financial year in the company.

GRI

Again, this year's report has been aligned to relevant sections of the Global Reporting Initiative (GRI) Framework incorporating the latest Construction and Real Estate Supplement www.globalreporting.org, achieving an (A+) (see our GRI Index section).

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



We encourage and welcome dialogue around all areas of sustainability, please read through the report and then tell us what you think:
balfourbeatty.com/sustainability

Additional reporting

Some of our businesses publish their own sustainability reports for stakeholders:

Business	Segment	Region	Link
Balfour Beatty Capital	Investments	UK	www.bbcap.co.uk/about/csrsustainability
Balfour Beatty Construction Northern	Construction Services	UK	www.bbcl.co.uk
Gammon Construction	Overseas Joint Venture Businesses	Asia	www.gammonconstruction.com
Mansell	Construction Services	UK	www.constructingcommunities.com
Parsons Brinckerhoff	Professional Services	Worldwide	www.pbworld.com/sustainability

A lesson in sustainability

We handed over Lady Bird Johnson Middle School in Irving, Texas, USA in August 2011 in readiness for the start of the new school term. The school will generate 99% of the energy it needs and will send any surplus to the grid. Key features include high efficiency insulation and glazing, rainwater harvesting, solar panels, wind turbines, geothermal wells, light shelves to reflect light deeper into the building, and automatic dimming and switching of lights.

Not only does the school have the latest in renewable energy technologies, its building management system controls every electrical device in the building and touch screen monitors in the main hallway provide real time information on energy use and green energy generated. Four interactive science nodes for sun, earth, wind and water provide students with museum-quality interactive displays to teach more sustainable living.

The energy features of this building will free up \$250,000 in annual operating costs for reallocation to the education budget.

"Installing green technologies in your building is only one part of the story. To fully embed sustainability into our new school, we made sure we recruited staff who could demonstrate their green credentials and commitment too."

Angie Gaylord, Principal, Lady Bird Johnson Middle School, Texas, USA



For more information go online:
balfourbeatty.com/sustainability



creating the environment for sustainable education

Our performance at a glance

- Key**
- Positive trend 2009–2011
 - No change in trend 2009–2011
 - Negative trend 2009–2011

Our performance at a glance (2009–2011)

Key Performance Indicator	Link for further information	2009	2010	2011	Trend 2008–2011	2012 target
Profitable Markets						
Value of completed sustainability products (such as LEED, BREEAM, CEEQUAL) £bn	P30	n/a	2.3	2.5	●	n/a
% of projects with agreed sustainability objectives	P30	n/a	4	7	●	n/a
Healthy Communities						
% of staff completing annual appraisal	P46	63*	59	59	○	90
Fatal accidents (employees and subcontractors)	P45	3	5	5	○	0
Accident frequency rate (employees and subcontractors)	P44	0.17	0.16	0.17	○	0.10
Permanently disabling injuries (employees and subcontractors)	P44	3	2	5	○	0
Injuries to the public	P44	156	159	158	○	0
Environmental Limits						
Tonnes CO ₂ e/£m revenue	P61	36.3	41.7*	41.4	○	33.3
Waste to landfill (tonnes/£m revenue)	P66	80	82*	43	●	41
% recycled content in major construction materials	P67	n/a	3	7	●	25
% major construction materials from responsible sources (eg concrete, aggregates and steel)	P70	n/a	19**	34**	●	25
Sustainably sourced timber (% of total timber spend by value)	P70	89	75	65	○	100
Water use (m ³ /£m revenue)	P71	191	250	203	●	225

* Restated data (following improvements made to our data collection systems and analysis)

** UK only (responsible sourcing schemes are not readily available outside the UK for these materials)

Red/green rating displayed for performance between 2009 and 2011. The year's "at a glance" table has been aligned to the numerical targets within our sustainability roadmap and Zero Harm vision. Although our sustainability roadmap does not yet include quantified measures in the profitable markets area, we have included two indicators to provide some balance to the scope of our performance reporting. 2010 is the baseline year for our CO₂e, waste and water reduction targets.

We have made good progress in reducing our waste to landfill and are on track to achieve our 50% reduction by 2012. Our water reduction target has been achieved a year early and we will develop a new target for 2015. Our UK businesses continue to make good progress in sourcing major construction materials from recognised responsible sources, exceeding our 25% target a year early. Progress outside the UK is inhibited by a lack of equivalent responsible sourcing schemes.

More detailed five-year performance data, displayed by region and the progress each of our operating companies is making against our 2020 sustainability vision and roadmap, is provided here ([see our Data tables section](#)).

There are areas of our performance where we fell short in 2011. These include:

- The tragic loss of five lives due to workplace accidents and a further five permanently disabling injuries ([see our Health and safety section](#))
- We were also fined £163,000 GBP equivalent in 2011 for health and safety offences ([see our Health and safety section](#)) and £18,800 GBP equivalent for environmental violations ([see our Environmental compliance section](#))
- Reducing our energy use is challenging, being driven by the significant growth of our Hong Kong business, including energy intensive tunnelling projects
- The value of sustainably sourced timber has decreased as we have been unable to secure adequate evidence that all our timber purchases are from recognised responsible sourcing schemes
- Exclusion from the Dow Jones Sustainability Index

Our approach

In partnership with KPMG, we carried out detailed reviews of progress across our businesses in implementing our sustainability roadmap, shared best practice and provided practical support. We also developed key messages around our sustainability roadmap and report on our progress against the key commitments made in last year's report.

08 Our sustainability vision and roadmap

10 Key messages

12 Progress against 2010 commitments



For more information go online:
balfourbeatty.com/sustainability

Highlights

29%

of the 2012 minimum expectations of our roadmap have been completed and a further 63% is work in progress

180

examples of good practice identified during the KPMG reviews were shared across the Group

10

key messages developed around our sustainability roadmap

2020

vision film

was launched in October 2011, watch it at:
balfourbeatty.com

Our sustainability vision and roadmap

Our sustainability journey

October 2009 2020 vision and roadmap launched	April 2010 Operating Companies submit action plans	September 2010 Action plans approved by the Sustainability Working Group	October 2011 2020 vision film premier	November 2011 KPMG sustainability reviews completed	January 2012 Work started on developing 2015 targets
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The way we conduct our operations in terms of sustainability, helps define what we value. Our code of conduct, ethics framework and approach to safety, is a common thread running between our businesses. Sustainability is not only a business goal, it is also a product that we can offer our customers to help them make more sustainable choices.

Our 2020 vision

We launched our 2020 sustainability vision in 2009. It identifies three broad areas for co-ordinated action: profitable markets, healthy communities and environmental limits. We believe that a truly sustainable way of conducting our business will:

- Help our customers reach their own sustainability goals
- Increase returns for shareholders through profitable growth in the green economy
- Create a better place for our employees to develop and prosper, and
- Provide infrastructure which benefits the wider community and the environment.

Turning our vision into reality

We have developed a detailed roadmap which establishes a framework for our businesses to turn the vision into reality. Our roadmap addresses 31 key sustainability issues grouped into 10 focus areas. For each of these, it identifies three critical milestones:

- Minimum expectations for 2012, mandatory first steps for all our operating companies
- Excellence for 2012 for those pursuing best practice for a given issue

- The aspirational goal for 2020, providing clear direction for our thinking and practices (our ultimate destination).

More detailed guidance is also provided to operating companies (a Sustainability User Guide). Further milestones are planned for 2015 and 2018. You can download our vision and roadmap here balfourbeatty.com.

Our progress

We require our operating companies to complete six-monthly self-assessments of their progress against the roadmap. This progress is reviewed by the Sustainability Working Group (SWG) (see our [Leadership, governance and risk management section](#)) and the Business Practices Committee (a sub-committee of the main board).

During 2011, we completed a deeper assessment of progress at operating company level through a programme of three-day sustainability reviews conducted jointly by sustainability assurance experts at KPMG and our own Sustainability Working Group. In addition to checking progress, these reviews were designed to support each operating company by identifying solutions for their sustainability challenges and sharing good practice. By the end of November 2011:

- 22 operating companies had been visited in seven countries to check progress and whether action plans were on track
- 380 managers and senior leaders were interviewed to help enhance sustainability awareness
- 180 examples of good practice were shared across the Group
- Best practice workshops in Atlanta and London were held to further disseminate best practice, review lessons learned and inform the refresh of the roadmap (2015 targets).

Parsons Brinckerhoff was excluded as its sustainability action plan was still in development as were our smaller rail operating companies in Spain and Malaysia (not considered material).



Download our 2020 vision and roadmap here:
balfourbeatty.com/sustainability



In aggregate, these reviews told us that:

- Progress against the roadmap is mixed with those operating companies based in the US, Dubai and in the rail division which operates internationally, finding it most challenging of all and UK companies tending to perform better. This reflects the relative maturity of sustainability in the UK market and customer priorities.
- Most progress has been achieved in the profitable markets and healthy communities elements of the roadmap.
- The environmental limits area is the most demanding area such as energy reduction, responsible sourcing, climate change adaptation and indirect water use.
- More progress has been made by those operating companies with engaged senior management teams, with good plans and governance structures with accountability spread across different functional areas.

The latest self-assessments show that we continue to make steady progress with 93% of the minimum expectations completed or underway:

Roadmap progress (October 2011)*

	Elements completed	Elements underway	Elements not started	
	2010	2011	2010	2011
2012 minimum expectations	18%	30%	63%	63%
2012 excellence	11%	20%	59%	65%

* excludes Parsons Brinckerhoff

Overall, the majority of our operating companies believe their action plans are on track to deliver the 2012 targets. Plans at significant risk are those at BK Gulf, one of our joint venture businesses in Dubai and to a lesser extent our US infrastructure

and rail businesses. Our German rail business now has a plan in place that it is working to and Parsons Brinckerhoff have developed a global sustainability action plan.

To read a detailed breakdown by operating company against each element of the roadmap ([see our Roadmap self-assessment summary by division section](#)).

In parallel to these reviews, we launched our sustainability e-learning programme and 2020 vision film to raise awareness of our roadmap and our employees role in making it happen. We asked our employees to make a voluntary sustainability commitment; you can read more here ([see our Engaging our people section](#)).

Our plans for 2012

Operating companies will continue to implement the minimum expectations and their chosen areas of excellence during the year ahead with a particular focus on the environmental limits targets and increased oversight of progress at divisional level.

KPMG will undertake further assessments to review progress against last year's recommendations, take a deeper look at evidence of completion of the elements of the roadmap, together with visits to project sites to test embedding. These reviews will prioritise those operating companies with the most ground to catch up, notably the rail business and our joint ventures in Dubai.

The SWG will complete the development of new milestones for 2015, including external consultation via our website. The profitable markets elements of the roadmap will be extensively revised, giving even greater emphasis on supporting our customers on sustainability and will reflect our international growth markets. There will be stretching environmental targets and more focus on innovation and collaboration across the roadmap. Our new roadmap will be published towards the end of 2012.

Our 2012 sustainability report will show the progress achieved across the Group against the 2012 targets in the roadmap.

Key messages



Following the launch of our 2020 vision and roadmap in 2009, the Sustainability Working Group has been working hard to support our businesses in its delivery. Engaging our people in the broader dimensions of sustainability has been a priority. Not only to illustrate what more sustainable practices look like but also to reinforce the importance of the contributions made by our teams in delivering more sustainable outcomes for our customers. To support this approach we developed 10 key messages for our sustainability programme.

Mike Peasland

CEO Construction Services UK and Chair of the SWG



For more information go online:
balfourbeatty.com/sustainability

1

We are growing our business by focusing on the markets with the greatest opportunities in the green economy.

Balfour Beatty is developing a leading position in the UK offshore wind market with preferred bidder status on 40% of the current available transmission assets...



Go to [P27](#) to read the case study and see this in practice

2

We help to influence the market to adopt more sustainable outcomes.

Our Italian rail business is working with academia to develop alternatives to copper in electrified rail systems, to reduce installation and maintenance costs and reduce environmental impacts...



Go to [P34](#) to read the case study and see this in practice

3

We strive to deliver excellence in sustainability by working with our customers to achieve or exceed their sustainability goals.

Customers choose Balfour Beatty to help them deliver their sustainability objectives such as the largest net zero middle school in the US, which will generate more energy than it uses from the grid...



Go to [P05](#) to read the case study and see this in practice

4

We believe sustainability is a collective responsibility and engage our staff, customers, suppliers and local communities in our sustainability programmes.

Sharing our knowledge across our global business gives our staff opportunities to work in different parts of the world such as Alison Rothnie in Hong Kong...



Go to [P49](#) to read the case study and see this in practice

5 We take a holistic approach to sustainable infrastructure, providing both environmental and community benefits.

True sustainability goes beyond the environment and also delivers positive outcomes for communities such as our work on the Tolo Highway project in Hong Kong...



Go to [P15](#) to read the case study and see this in practice

6 The health and safety of our staff and the public is absolutely paramount.

Read more about our Zero Harm journey here and how Parsons Brinckerhoff in Australia is exploiting GPS technology to help keep its employees safe...



Go to [P42](#) to read the case study and see this in practice

7 We help to create thriving local communities.

We help thousands of disadvantaged young people improve their lives through our work with the Princes Trust in the UK...



Go to [P56](#) to read the case study and see this in practice

8 We take a long-term perspective and create infrastructure that is resilient to a changing climate.

We developed a climate change adaptation framework to help our customers maintain infrastructure that is resilient to a changing climate...



Go to [P60](#) to read the case study and see this in practice

9 We work hard to reduce our emissions of greenhouse gases and re-think the way we use materials sustainably and avoid waste.

Balfour Beatty has diverted nearly 8m tonnes of waste material that would have otherwise gone to landfill and re-used it to construct four major Highways schemes in the UK...



Go to [P68](#) to read the case study and see this in practice

10 We always try to protect and enhance ecological resources

Working within environmental limits goes beyond carbon and materials as we seek out opportunities to enhance the ecology of our projects such as the award-winning A58 Blackbrook scheme...



Go to [P72](#) to read the case study and see this in practice

Progress against 2010 commitments

This table summarises progress against the commitments made in last year's report together with links to further information:

Key	
●	Completed
○	In Progress
○	Limited/No Progress

What we said we would do in 2010	Our progress in 2011	Plans for 2012	Status
Conduct reviews of our operating companies implementing their sustainability action plans	In partnership with KPMG, the Sustainability Working Group conducted 22 reviews of operating companies in seven countries. Most progress had been made in profitable markets and health communities elements of the roadmap and UK companies tended to perform better (see Our sustainability vision and roadmap section).	Further reviews will be undertaken by KPMG to assess progress and completion of the 2012 elements of the roadmap.	●
Parsons Brinckerhoff action plan in place for the sustainability vision and roadmap	A plan for the professional services business was formally approved by the Parsons Brinckerhoff board in January 2012.	Further plans are being implemented at operating company level in different geographies. The Sustainability Working Group will provide feedback on the plan.	○
Increase our efforts to provide more sustainable choices for our customers and further develop our approach to work winning	Our operating companies developed core sustainability features for use on all bids and identified specific bids to target a leading sustainable approach as a way of differentiating our offering in the marketplace. Workshops were held in London and Atlanta to share knowledge and experience, including progress in the green industries sector (see our Growing our business in the green economy section).	Further workshops will be held to examine the community dimension to work winning and a series of knowledge sharing WebEx sessions will be held for our business development teams.	○
Engage employees on sustainability through awareness training and appraisals	Over 17,000 employees completed our e-learning sustainability course and more than 8,000 completed off-line training.	Our sustainability course will be rolled out to remaining employees over the year.	○
Employees complete code of conduct training	Nearly 30,000 employees (our office-based and supervisory roles) completed the Module 1 of the training. Module 2 was launched in late 2011 (see our Engaging our people section).	Employees will complete module 2 of our code of conduct training.	○
Continue ethics programme roll out to joint venture businesses, project based operatives and supply chain	Programme rolled-out to joint ventures and supply chain code of conduct issued (see our Ethics, values and compliance section).	Module 2 of ethics programme will be rolled out for office-based/supervisory roles and as well as a course specific to site operatives.	○
Develop KPIs for code of conduct and ethics reporting hotline	We report the number of calls to the ethics helpline. Other data is not considered sufficiently reliable or consistent for benchmarking purposes (see our Ethics, values and compliance section).	We will keep our data under review.	○
Develop new 2015 targets for the roadmap	The Sustainability Working Group started work with Forum for the Future to develop the new targets (see our Leadership, governance and risk management section).	Benchmarking, customer interviews and a series of workshops and consultations will be undertaken to develop the new targets for 2015 and published in 2012.	○
Introduce a measurement tool to assess the impact of our community investment programme	We reviewed our community programmes across the Group during the year but did not develop a specific measurement tool (see our Community engagement and investment section).	We will re-visit the area of measurement as we roll out our new Balfour Beatty Building Better Futures campaign and report our findings in next year's report.	○
Continue to develop our approach to responsible procurement	Our UK businesses have adopted the Flexible Framework for responsible procurement. Training has been provided for our UK procurement managers and common tools and procedures shared across the Group (see our Supply chain section).	We will roll-out an e-learning course for key personnel who procure so they are able to do so responsibly. The new 2015 targets in our roadmap will extend responsible procurement further down our supply chain.	○
Report progress against key safety and environmental 2012 targets in the roadmap and our Zero Harm vision	See our performance at a glance.		●
Apply our suite of newly developed Zero In tools to further embed Zero Harm across our operations	These tools were developed and pilot tested by a number of operating companies to identify key areas of improvement (see our Health and safety section).		●
Develop new tools for calculating building carbon footprints, project water footprints and a climate change adaptation framework	We worked with the Environment Agency to upgrade their carbon calculator to apply to building projects as well as civils projects. We developed an adaptation framework and a suite of water footprinting tools (see our Creating infrastructure that is resilient to a changing climate section).	We will provide training to our operating companies in our new climate change adaptation framework. Operating companies will feedback their experience using the carbon footprinting tools.	●
Respond to stakeholder panel recommendations	See progress to date in our response (see our Balfour Beatty response to 2011 stakeholder panel statement section).		

Managing sustainability

The way we work is underpinned by our values and code of conduct. We have established processes for the governance of ethics, sustainability, safety and other risks across the Group. Our materiality process determines what matters most in our sustainability reporting and we engage with our stakeholders to understand and respond to their views on our performance.

- 14 Global issues
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- 23 Ethics, values and compliance



For more information go online:
balfourbeatty.com/sustainability

Highlights

Conduct

Code of conduct issued to our subcontractors, suppliers and partners

284

cases were reported to our ethics helpline in 2011

GIACC

Global Infrastructure Anti-Corruption Centre completed its review of our anti-corruption compliance programme

Engaging

our stakeholder panel to provide feedback on our sustainability performance

Global issues

Collectively, the global construction and property sector has significant economic, social and environmental impacts, in ways that are both positive and negative. These impacts also provide opportunities for Balfour Beatty to make a real difference to people's lives.

Why this matters to us

The sector as a whole accounts for:

- 30% of the world's waste
- 40% of global energy use and a third of global greenhouse gas emissions
- 30% of the world's consumption of natural resources and
- 20% of water use.

Buildings are responsible for up to 80% of greenhouse gas emissions in our towns and cities. Reducing these emissions in the built environment is widely recognised as the least expensive method of abating the adverse impacts of climate change.

In socio-economic terms, the built environment has significant direct and indirect impacts on social wellbeing and the livelihoods and prosperity of communities and individuals. The sector is a major employer, with a diverse and complex supply chain, positively impacting local economies through jobs, training and industry. The sector provides homes, education, healthcare, transportation and recreational facilities for communities.

Source: GRI Construction and Real Estate Supplement, 2011

www.globalreporting.org

Global trends relevant to Balfour Beatty

In 2008, in conjunction with Forum for the Future, we identified the issues likely to be critical to the continued global success of our business from a sustainability perspective. The priority areas, identified through horizon-scanning techniques, included:

- The availability and cost of raw materials and water as populations grow and key natural resources dwindle. This will impact the way we manage waste, source our materials and conserve water resources, while also presenting new commercial opportunities such as water and waste water treatment technologies.
- The physical and economic impacts of climate change are likely to increase over time. This is likely to increase investment in adaptation and encourage more innovative ways of managing existing assets being impacted by climate change.
- Globalisation and the rise of the BRIC (Brazilian, Russian, Indian and Chinese) economies impacting on the demand for infrastructure and other business opportunities.
- Increasing costs of fossil fuel energy and the price of carbon will encourage us and our customers to seek low-carbon opportunities to reduce costs, increase security of supply and potentially profit from carbon trading.
- The availability of finance could determine investment priorities and hence the size and nature of future market opportunities
- The attraction and retention of skilled workers will be influenced by their perception of which businesses respond effectively to their corporate responsibilities, including the availability of opportunities to make a real difference to society's sustainability challenges.

These issues helped to underpin the development of our 2020 sustainability vision and roadmap which was launched in 2009 and will be revisited in future updates of the roadmap in 2012.

Opportunities

Although there are many uncertainties over the next decade, this horizon-scanning exercise highlighted major opportunities for Balfour Beatty in the transition to a greener economy. For example:

- An estimated market in the low-carbon economy of over £200bn over the next decade in the UK alone through transition to more renewable energy such as wind, tidal and solar power, new nuclear, waste-to-energy plants and upgrading of the transmission network
- Continued growth in the construction and renewal of rail infrastructure
- Increased demand for zero carbon and more sustainable buildings – both new and the refurbishment of existing building stock (the green retrofit market in the UK alone is estimated at £10bn per annum and in the USA Executive Order 13514 requires a 30% energy reduction across the Federal estate by 2025)
- Development of carbon capture and storage at power generation plants
- Continuing demand for more sustainable social housing, schools and hospitals, as global populations continue to grow.



For further details of our success in the growing green economy, go to [P27 – P38](#)

Our plans for 2012

We will conduct another full horizon-scanning exercise in conjunction with Forum for the Future to help inform the development of new 2015 targets for our sustainability roadmap.

Tolo Highway

"We take a holistic approach to sustainable infrastructure providing both environmental and community benefits."

Gammon's approach to traffic alleviation on a 3.5km stretch of Hong Kong's Tolo Highway ensures that care for both the local community and environment are integral to the project.

Widening the busy road which runs through hilly terrain, while also reducing the impact on people and resources, required some creative thinking. Gammon's design allowed for a reduction in the amount of steel and concrete used in construction and a reduction in the number of trucks used on site, thereby generating less carbon. By cutting less slope in the project we retained trees and minimised erosion.

A temporary traffic arrangement system ensures that disruption to the public is minimised and access to all local villages is maintained. In addition, barriers and enclosures have been installed to reduce noise nuisance.

Gammon's approach enabled considerable project savings:

Less steel – 12,112 tonnes

Less concrete – 35,924 cubic metres

Less spoil removed – 81,865 tonnes

Trees saved – 2,585



For more information go online:
balfourbeatty.com/sustainability



What matters most in our reporting

In 2009 we introduced a materiality process to help us prioritise which issues we should be focusing on most in our sustainability reporting.

The issues in 2011 remained broadly the same and are reflected in this year's report. We will undertake a further review of what matters most during 2012 when we refresh our sustainability vision and roadmap.

Why this is matters to us

Our values, ethics, sustainability and safety programmes touch every aspect of our business. These issues are complex and all pervading. In order for our reporting to be effective, we need to identify which of the issues in our sustainability roadmap, ethics programme, approach to safety, development of our people and community programmes are most important from a materiality perspective. Those issues considered to have the greatest impact on our business are then given greater weight in the report narrative.

Materiality – focusing on what matters

In 2008, horizon-scanning techniques were used to help identify the issues to address in our 2020 vision and roadmap.



For further details on our Global issues go to [P14](#) for more information

In early 2010 we held a series of in-depth workshops to consider what additional issues should be included for our sustainability reporting. Members of the executive team and other senior managers took part in these workshops to help prioritise the issues we should give most weight to our sustainability reports.

A list of issues, drawn from our previous reports and our sustainability vision were filtered in two workshops: the first explored the significance of issues to stakeholders, with the second examining each issue's potential to affect our ability to deliver our strategic ambitions.

The stakeholders considered were investors, employees, customers, government, Non-Governmental Organisations, local communities, media and suppliers. Participants assessed stakeholders' interest in how we manage each issue, enabling us to filter the issues by their relevance to stakeholders. In considering stakeholder views, we discussed what we believed were the views of stakeholders from existing knowledge within the business. We did not consult stakeholders directly in this assessment.

Participants also considered an issue's potential to help or harm the business, filtering them according to the perceived depth of impact, the likelihood of impact and the timeframe of impact (before or after 2020).

These workshops highlighted nine topics particularly material to our business for reporting purposes. See the diagram opposite. To go direct to these sections of the report, click on the relevant box.

The materiality process was reviewed in early 2011 and we felt this process remained valid a year on.

Water is not yet a priority issue, but we believe its potential impact and significance to stakeholders continues to increase. We also believe that the importance of ecology will grow in future and have engaged the UK Government on this topic during the past year.

The additional issues considered in our materiality workshops are listed below. Coverage of these issues is dealt with in less detail than our material issues. Click on the links against these issues to take you either to the relevant section of this sustainability report or the Annual Report and Accounts.

- Supplier relationships ([see our Supply chain section](#))
- Employee engagement ([see our Engaging with our stakeholders section](#)) ([see our Engaging our people section](#))
- Community engagement ([see our Community engagement and investment section](#))
- Community investment ([see our Community engagement and investment section](#))
- Protecting ecological resources ([see our Ecology section](#))
- Pensions ([see our Annual report](#))
- Materials lifecycle management ([see our Materials section](#))
- Water management ([see our Water section](#))
- Employee health and wellbeing ([see our Wellbeing and absence section](#))
- Incentives for non-financial performance ([see our Annual report](#))
- Diversity ([see our Managing our diverse workforce section](#))
- Turnover and absence ([see our Wellbeing and absence section](#))
- Local employment ([see our Supply chain section](#))
- Migrant workers ([see our Wellbeing and absence section](#))

2010 Workshop Attendees

- Andrew McNaughton, Chief Operating Officer
- Andy Rose, Group Managing Director (Engineering and Safety)
- Mike Peasland, CEO Construction Services UK
- Paul Willis, Head of HR
- Paul Stead, Group Safety Health and Environment Manager
- Andrew Hayward, Head of Compliance
- Duncan Murray, Director of Corporate Communications
- Jonathan Garrett, Group Head of Sustainability
- Hannah James, Senior Corporate Communications Executive

Our plans for 2012

During the refresh of our roadmap in 2012, we will undertake a comprehensive materiality review to check that the issues we have identified as material remain valid and what changes (if any) are required to focus on what matters in our future reporting.



For more information go online:
balfourbeatty.com/sustainability

What matters most in our reporting



Staff trained

17,000

people completed our e-learning course on sustainability

Reduction in waste

-45%

to landfill in 2011 (vs 2010 baseline)

Responsibly sourced materials

34%

by value of our UK spend on major construction materials

New markets

£1.3bn

of new municipal waste infrastructure projects in the UK

Engaging with our stakeholders

Through active stakeholder dialogue we can play our part in making sustainability a collective responsibility. In this section we describe how we engage with our customers, investors, government and regulators, local communities, suppliers and industry groups.



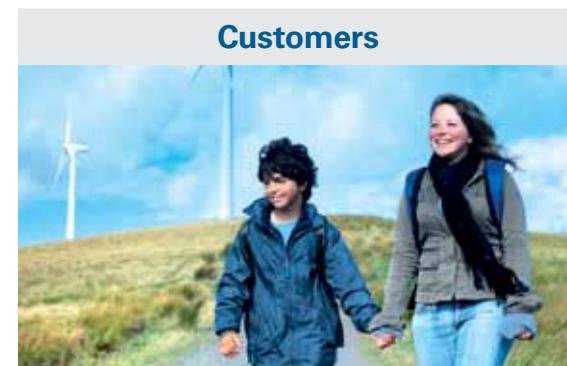
"Balfour Beatty are to be commended on their approach to stakeholder engagement and the reporting of their sustainability performance. They have set out a challenging roadmap on sustainability and are clearly committed to open dialogue with their stakeholders on their sustainability journey. There is always more that can be done and the stakeholder panel have set out further recommendations on where Balfour Beatty can improve. This is timely given the revision process underway to develop new roadmap targets for 2015."

Paul Edwards

Head of Sustainability, Hammerson plc
(and chair of the 2011 stakeholder panel).



For more information go online:
balfourbeatty.com/sustainability



Customers

Much of our business relies on building and maintaining long-term relationships with customers so we seek to work closely with them, to have a thorough understanding of their needs to achieve outstanding levels of customer satisfaction. Therefore customer feedback is regular and we seek to consistently promote two-way communication. Our Code of Conduct commits us to communicate truthfully, clearly and regularly with our customers.

- How we engage**
- Running regular customer attitude and opinion surveys (including sustainability and safety) ([see our Influencing for sustainability section](#))
 - Collaborating with customers on our Zero Harm safety vision and 2020 sustainability roadmap
 - Working with customers to agree project-specific sustainability deliverables and contributing to their sustainability programme (such as Hammerson sustainability week, National Grid's stakeholder panel and BAA's Heathrow Sustainability Partnership)
 - Presenting more sustainable alternative solutions for our customers.

- What's next?**
- Minimum expectations for all businesses by 2012 include producing a sustainable offering on all bids
 - We will continue to hold work-winning workshops across the Group to share best practice and we plan to use this information to liaise with customers early on in the bidding process to achieve sustainability goals ([see our Growing our business in the green economy section](#)).

Investors	Employees	Government/Regulators
		
<p>We seek to have an open dialogue with our shareholders and potential investors and to provide them with information they need to make well-informed investment decisions.</p>	<p>We aim to create a safe, healthy, challenging, rewarding, participative and fair working environment for all employees. Giving our employees a voice is central to creating a unified culture where they feel motivated and understand the future direction of the business.</p>	<p>Over half of Balfour Beatty's work is undertaken for governments. We seek to operate fully within legal and regulatory boundaries and wish to engage with governments and regulators to understand the issues that may impact our business, particularly those that affect our customers and the communities in which we operate.</p>
<ul style="list-style-type: none"> • During 2011, senior executives held 220 meetings with institutional investors, brokers and analysts (2010: approximately 200) • Shareholders were provided with focused communication explaining the Group's results and new business segmentation • Our Head of Investor Relations liaises directly with institutional investors and analysts to ensure consistent and timely communication. Discussions on sustainability were held with Standard Life Investments and La Banque Postale Asset Management. 	<ul style="list-style-type: none"> • We use a variety of channels to communicate, and consult employees through local publications, briefing groups, consultative meetings, surveys, representative bodies, training programmes and working groups (see our Engaging our people section) • Our Code of Conduct and 2020 sustainability vision, and accompanying training courses ensure that all employees feel well-equipped to make the right decisions • We have introduced a core set of employee satisfaction surveys which are being embedded across the Group. 	<ul style="list-style-type: none"> • We make sure any political activity we undertake is lawful, ethical and within our Code of Conduct • We have an active public affairs programme engaging with UK politicians and US Government and senior executives attend conferences to discuss governmental issues • We are heavily involved in thought leadership programmes on areas such as water and ecological enhancement for DEFRA and its committees, best practice approaches to environmental management and the development of carbon footprinting tools (see our Influencing for sustainability section).
<ul style="list-style-type: none"> • We will further develop our programme of investor communications during 2012. More information on shareholder relations can be found in the Annual Report and Accounts. 	<ul style="list-style-type: none"> • We will continue the roll out of our e-learning and offline sustainability course to support the embedding of the 2020 vision • We will hold our first Group-wide sustainability month in May 2012, encouraging engagement with our customers, supply chain and local communities • Our Innovation and Strategic Collaboration team are working to share best practice and encourage employees to share information across traditional boundaries. 	<ul style="list-style-type: none"> • We will continue to engage DEFRA in the UK on biodiversity and water issues such as our suite of water footprinting tools.

Why we engage

How we engage

What's next?

	Local Communities	Suppliers	Industry Groups
	<p>Local Communities</p>  <p>We aim to make a lasting positive impact on the communities in which we operate. By engaging with local communities, we believe we protect and strengthen these communities. We also want to deliver better projects and services to help us secure future work.</p>	<p>Suppliers</p>  <p>Creating long-term partnerships with suppliers based on compatibility of their values and behaviour as well as product quality and price. We need the support of subcontractors to deliver the majority of our projects, and consistent engagement helps us to understand each other's needs and exceed customer expectations.</p>	<p>Industry Groups</p>  <p>We believe that cooperation with other companies in our sectors on sustainability issues can help us drive improvement in a way that we cannot do on our own. Sector-led initiatives can drive the adoption of best practice.</p>
How we engage	<ul style="list-style-type: none"> • Consultation on our projects involves leaflet drops, project websites and community events and our larger sites have community relations officers • We have developed a number of national and local initiatives which reflect our commitment to improving the life prospects of young people (see our Community engagement and investment section) • We seek to employ local people (see our Supply chain section). 	<ul style="list-style-type: none"> • We work with our suppliers to address identified sustainability risks and opportunities (see our Supply chain section). For example we delivered a key note address on sustainability at Saint Gobain's supply chain conference in 2011 • A supplier code of conduct was developed and issued during 2011 (see our Ethics, values and compliance section) • 'Meet Balfour Beatty' days involve inviting local businesses to presentations on project opportunities (see our Supply chain section). 	<ul style="list-style-type: none"> • Our businesses interact with trade associations and other companies on the topic of sustainability (see our Influencing for sustainability section) • We worked with the UK-Green Building Council to develop a leadership programme for sustainability and Mike Peasland represents Balfour Beatty on the Olympics learning legacy leadership advisory board • We are active members of the UK Contractors' Group (see our Influencing for sustainability section).
What's next?	<ul style="list-style-type: none"> • With more long-term projects and maintaining assets for our customers for many years, we need to continue to improve the planning and implementation of community liaison work • We believe that all our people have a responsibility to the local community in which they work, so our sustainability e-learning programme encourages people to think about their actions more carefully. 	<ul style="list-style-type: none"> • We will continue work to engage further with our suppliers to embed Zero Harm and sustainability within our supply chain. By 2012 all key suppliers must be conversant with our 2020 sustainability vision. 	<ul style="list-style-type: none"> • Ensure representation on relevant industry and sustainability bodies • We will sponsor Ecobuild, the UK's largest construction exhibition in 2012 and promote sustainable best practice through knowledge sharing events for customers and engaging all our employees in sustainability and innovation during the event • Our CEO Ian Tyler, will take part in television debate on ITV in the UK called The Business Club, comprising a panel of business leaders focusing on issues affecting companies in the current economic climate.

Leadership, governance and risk management

Leadership

As a business leader Balfour Beatty believes it has a responsibility to lead in its ethics, health and safety approach and in sustainability. The long-term success of our business and society as a whole depends upon it.

The Board sets policy and takes responsibility for the Group's non-financial performance, including sustainability issues. Our Business Practices Committee, comprising non-executive Directors, chaired by Mike Donovan, reviews Company activity and provides guidance on future strategy. In 2011 key corporate responsibility topics included: health and safety; environment; legal duties; people; community and ethical issues.

The way we work

Our values and Code of Conduct underpin everything we do at Balfour Beatty. Our 2020 sustainability vision and roadmap brings together in a single framework how we address the economic, social and environmental aspects of sustainability. Within this framework, existing programmes such as our Zero Harm approach to safety, the way we manage and develop our people, and our community engagement and investment activity is reported within this document.



Group policies

Group policies and related documents for a range of topics, including safety, environment, code of conduct (employees and suppliers), our 2020 vision and Zero Harm are available in the download area of our sustainability website collectiveresponsibility.net.

Our Sustainability Working Group (SWG)

Our Sustainability Working Group (SWG) is chaired by Mike Peasland, who is also Chief Executive Officer of Construction Services UK. The SWG, which meets at least four times a year, consists of senior managers from across the Group who have responsibility for strategy and policy on key issues, including the 2020 sustainability vision and roadmap.



For progress against our vision and roadmap, go to [P08 – P09](#)

During 2011, the SWG supported the businesses implementing the roadmap by focusing on four strategic themes during the year:

- 1. Work winning** – through workshops for our business development teams to exploit opportunities in the green economy and share experiences in “selling” sustainability to our customers
- 2. Communications** – both internally to engage our employees and externally to inform our customers, supply chain partners and other stakeholders of our sustainability capabilities across the infrastructure lifecycle
- 3. Supply chain** – developing common tools, centre of excellence and sharing best practices on sustainable procurement across the organisation
- 4. Leadership** – integrating sustainability into our management development and executive leadership programmes.

The SWG also teamed up with KPMG to assess how our operating companies were progressing against the 2012 targets in the roadmap, share good practice and engage our leadership teams on sustainability.

Introducing our Sustainability Working Group



Mike Peasland
Chair



Jonathan Garrett
Construction Services UK & International JVs



Chris Whitehead
Work Winning



Richard Gartside
HR/Leadership



Simon Wright
Procurement

Managing sustainability

Leadership, governance and risk management

In preparation for the further development of our roadmap in 2012, including new targets for 2015, we refreshed the membership of the SWG to include a sustainability expert from each of the divisions. As well as working on the new roadmap targets, this team will develop an enhanced User Guide to provide additional guidance and best practice in implementing the roadmap.

Our community strategy

Our community strategy at Group level is co-ordinated by Mark Peters, Head of Secretariat.



For further details on our Community strategy go to [P57 – P58](#) for more information

Risk management

Overall responsibility for risk identification and management across the Group rests with the Board.

At a business level, responsibility for risk identification, analysis, evaluation, mitigation, reporting and monitoring lies with divisional and operating company management. We use a management systems approach to minimise risk impacts and meet regulatory requirements ([further details are available in our Annual report and accounts](#)).

Independent assessment of anti-corruption measures

As part of a settlement with the Serious Fraud Office (SFO), at the end of 2008 we appointed the Global Infrastructure Anti-Corruption Centre (GIACC) to report on our anti-corruption compliance programme.

During 2011 GIACC undertook 13 risk assessments on sample operating companies or business units, reviewed the supply chain and commercial management procedures at six operating companies, reviewed the organisation's risk assessment and due diligence procedures, reviewed the implementation of the compliance programme with the compliance officers at all operating companies and key Group and operating company managers.

GIACC's main conclusions in its 2011 report were:

- overall, Balfour Beatty has developed and is implementing a best practice anti-corruption compliance programme
- the leadership from the Board and senior management on ethical compliance is clear and unequivocal
- major steps were taken in 2011 to improve the programme, and good momentum is being maintained
- there are still some weaknesses in the programme, and levels of implementation vary between different operating companies. But these have been identified, and appropriate action is being taken
- GIACC believes Balfour Beatty is committed to long-term implementation and improvement of its anti-corruption procedures.

GIACC's detailed review of most of our operating companies ended in 2011. But GIACC will continue to work with us in 2012 to assess Parsons Brinckerhoff's programme.

Dow Jones Sustainability Index and Business in the Community

To be regarded as a sustainability leader we need to be seen to be benchmarked against other companies both in our sector and the broader business community. To enable this in 2012 we will be looking for inclusion in both the Dow Jones Sustainability Index and the Business in the Community (BiTC) Corporate Responsibility Index.

In 2011, we missed inclusion in the Dow Jones Sustainability Index, scoring 73% (2010: 67%), with 79% being the minimum entry level score. Areas for improvement include customer relationship management, labour practice indicators and talent attraction/retention.



Matt Graydon
Communications



Vilma Pezzota
Rail



Andrew Edlin
Support Services



Peter Halsall
Professional
Services



Tracy Browne
Construction
Services US



Mark Howden
Investments

Ethics, values and compliance

Integrity is a key pillar of the Balfour Beatty business and one of our four corporate values.

Our dedicated ethics, values and compliance programme is designed to embed ethics and integrity across our business. We hope and believe that our determination to conduct business ethically and with integrity at all times, and to play our part in helping to eradicate corruption and bring best practice infrastructure and services to emerging countries, will help build confidence and trust among clients and other stakeholders and support our business strategy.

Why this matters to us

Balfour Beatty wishes to be trusted by customers, partners and other stakeholders to act ethically and with integrity at all times. This is a key tenet of our business. We also wish to ensure that, wherever we operate, we comply with local and applicable international laws or, if higher, our own ethical standards. This is true in our established markets, but it holds true even more and is increasingly important as we seek to grow the business in new markets that have different cultures and standards and can present higher risks for us. It is essential that our people exhibit the behaviours and have the awareness, skills and tools to help us manage these risks together. Our experience in Alexandria, which led to the SFO settlement in 2008, demonstrates clearly how corruption or other ethical risks can damage our reputation. But even without that experience it is clear to us that operating in this way is the right thing to do, and that our stakeholders expect it of us.



Integrity

Teamwork

Excellence

Respect

Our approach

Our approach requires the engagement of all our people to ensure that our ethics, values and compliance procedures are fully embedded. A particular focus has been on ensuring that our programme meets or exceeds the requirements of the UK Bribery Act for "adequate procedures to prevent bribery", but our efforts are much broader than that.

Education and training

During 2011 we continued to distribute the Code of Conduct to all new starters and to provide training thereon. We also launched a second online Code of Conduct training module, which all staff in office-based or supervisory or decision-making roles must undergo. We have also created an ethical training programme for site operatives which will be rolled out in 2012. We have worked hard to raise awareness among staff of the ethical risks associated with the sectors and countries in which they operate. In a well-managed business, our financial and commercial controls play a key role in managing such risks but, as with safety, we recognise that policies, training and controls may not be sufficient if the right behaviours are not encouraged.

Code of conduct

During 2011 we developed a short ethics training module for site operatives, whether employed by us or subcontractors. It includes a pocket-sized leaflet (left), which summarises our ethical standards in key areas and encourages people to come forward if they see inappropriate conduct. The training includes brief scenarios to draw out the key points and will eventually be available in about a dozen languages. The plan is to roll out the training during 2012.

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Ethics Helpline

We continued to encourage employees and others to come forward if they witness or suspect unethical behaviour, and saw a significant increase in the number of such cases reported via the Ethics Helpline or other channels. We use the data from our Ethics Helpline cases to assess and measure our speed and effectiveness in investigating allegations, our consistency and fairness in applying sanctions for wrongdoing, and a range of other measures.

"Our reputation depends not only on what our employees do but on you: our partners, subcontractors and suppliers – what you decide, what you do. Our reputation is a vital asset – so is yours. I urge you to challenge any unethical, dishonest or questionable behaviour – in your organisation and ours – and speak up when you see things that fall short of the standards we set ourselves."

Ian Tyler, Chief Executive



For further details on our Code of conduct go to [P23](#) for more information

Third party risks

A significant challenge for us is managing third party risk. We have thousands of subcontractors and suppliers, and consultants and subconsultants, and many joint venture and consortium partners. We need to exercise great care to identify and mitigate risks associated with their actions and to gain assurance about their ethical standards.

During the year we launched a new Code of Conduct for Subcontractors, Suppliers and Partners. This plays an important role, as third parties unable to demonstrate their own embedded code of conduct and ethical compliance can help provide assurance by agreeing to comply with our code.

Managing risks in high corruption risk countries

We have a rigorous approach to managing corruption risks with projects in high-risk markets. We assess the risks associated with the specification, prequalification, tendering, award, execution, certification and payment phases of a project and also any with third parties we engage. But we do not rely purely on due diligence, which can be ineffective or misleading. First and foremost we seek to minimise risks by satisfying ourselves that the client's processes are robust and transparent and not easily susceptible to subversion by a partner or other third party. Secondly, we ensure that there is a clear, legitimate business justification for selecting and engaging with all third parties. Thirdly, we try to ensure that opportunities for corruption by third parties are within our control or at least visible to us.

Independent review of anti-corruption measures

During 2011, the Global Infrastructure Anti-Corruption Centre ("GIACC") continued its detailed review of the anti-corruption compliance programme across our operating companies. This included sample risk and commercial management assessments, and interviews with senior management and compliance officers.

GIACC's main conclusions in its 2011 report are as follows:

- overall, Balfour Beatty has developed and is implementing a best practice anti-corruption compliance programme throughout the organisation
- the leadership from the Board and senior management in relation to the importance of ethical compliance is clear and unequivocal
- major steps have been taken during 2011 to improve the compliance programme, and good momentum is being maintained
- there are differences in the strength and level of implementation of the programme between different operating companies. However, these have been identified, and appropriate action is being taken
- GIACC believes that Balfour Beatty is committed to continuing to implement and improve its compliance programme on a long-term basis.

At the end of 2011 GIACC completed its detailed review of all our operating companies apart from Parsons Brinckerhoff, whose review will be complete at the end of 2012.

Ethics Helpline data

	2009	2010	2011
No. of cases	64	176	284

Our plans for 2012

Our priorities for 2012 and beyond are to continue to embed our code and our procedures and controls, such as third party due diligence and ethical assurance in the supply chain, to provide the business with the support it needs with its growth strategy in new, often high-risk markets. We seek to improve our processes for recruiting and appraising employees on the basis of ethics and values, and not just qualifications and skills. For the last three years our anti-corruption procedures have been independently assessed by GIACC. We are now developing our internal audit capability to provide assurance and will be looking at further means of assurance.

Recruiting ethical people

"Two of the candidates for a business development role admitted at interview that they would consider paying a bribe. I was really surprised. Maybe they thought that was the answer I was looking for! My Managing Director and I agreed that we could under no circumstances consider them for the role."

Petra Hofeichner, HR Director Balfour Beatty Rail Germany and Austria.

Facilitation payments

Balfour Beatty has issued guidance to staff on how to resist a request for a facilitation payment (a modest payment to a public official to expedite a service he/she is already duty bound to perform). Such extortion can be one of the hardest types of corruption to combat, as it is often ingrained in a culture and, in many cases, may be how poorly paid police officers, customs officials and other government officials make a living. In one of our businesses Parsons Brinckerhoff, South Africa we put the guidance into practice on a project and succeeded in resisting such demands by adopting a zero tolerance approach from the start, insisting that such payments would not be forthcoming and that we and the would-be recipient would get into serious trouble if they were. So we showed that it is possible to resist this form of corruption, but you have to draw a clear line from the very start and show strong leadership.

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Responsible Sourcing in Africa

After coming across a sample of the black granite, intended to be used for the base of the common station entrance plinth, Design Director (David Evans) noticed that the granite was being sourced from Zimbabwe. Upon this discovery he mentioned it to a member of the Blackfriars environment team. While researching the quarries in Zimbabwe it was found that during an inspection of a mine there were 66 employees killed in work-related accidents and the company was not doing enough to help their workforce or local community. With this knowledge our design team went back to the subcontractor to source the stone from a new location. The new stone put forward was supplied from Portugal (sourced in South Africa). A sample of the stone was then agreed by both the designers and customer.

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Profitable markets

Our approach to sustainability is aligned to our strategy of business growth. We have made inroads into new growing markets in the green economy and continue to work with our existing customer base to help them achieve their sustainability goals. Through industry partnerships, we are playing a growing role in influencing the market to adopt more sustainable outcomes.

28 Growing our business in the green economy

30 Meeting our customers' needs

35 Influencing for sustainability



For more information go online:
balfourbeatty.com/sustainability

Highlights

£1.3bn

The total value of new municipal waste infrastructure projects we are preferred bidder for in the UK

40%

Our share of the UK offshore wind energy transmission assets

£2.5bn

The value of sustainable buildings and infrastructure we delivered in 2011

1st

Our rating with the UK Highways Agency on our approach to sustainability

Developing a leading position in the UK offshore wind market

The UK offshore wind market is valued at £150bn by 2030. 34GW of offshore wind capacity is needed by 2020, equating to 10,000 turbines.

Balfour Beatty Capital, is preferred bidder for the offshore transmission assets of Thanet and Greater Gabbard offshore wind farms. This gives us 40% of the current available market with £480m worth of transmission assets and a combined generating capacity of 840MW. Balfour Beatty Utility Solutions will operate and maintain these assets. We are in a strong position from which to develop further design and build opportunities in this market.

"Preferred bidder status for Greater Gabbard and Thanet places Balfour Beatty in a leading position within the fast-growing and potentially very large offshore transmission markets, providing a stable long-term income stream to the Group."

Ian Tyler, Chief Executive, Balfour Beatty



For more information go online:
balfourbeatty.com/sustainability



focusing on markets
with the greatest
opportunities

Profitable markets

Growing our business in the green economy

The green economy represents a multi-billion pound growth opportunity over the coming decades in areas such as renewable energy, new waste infrastructure and the green retrofit of buildings.

Why this matters to us

Energy use and carbon emissions are high on the agenda of governments, regulators and a growing number of our customers, as the world looks for ways to address climate change and diminishing fossil fuel supplies. These are new markets for Balfour Beatty, particularly in terms of renewable energy infrastructure, valued at £150bn in the UK alone over the next decade.

With the built environment being responsible for upwards of half of global emissions of greenhouse gases, the low energy retrofit of existing buildings will also grow significantly. Estimates put the size of this market at £10bn in the UK and higher in the USA with federal buildings needing to reduce emissions by 30% by 2025.

Our approach

Balfour Beatty is well placed to respond to the growing opportunities in the green economy through our capabilities across the infrastructure lifecycle. We have been building our business to capture these opportunities of the growing green economy.



Energy from waste

Balfour Beatty is preferred bidder for the £500m energy from waste scheme in Gloucester, which will save £150m a year in landfill fees over 25 years and an £800m residual waste treatment plant in Essex capable of treating up to 417,000 tonnes of municipal waste per year. Both schemes leverage the investment expertise of Balfour Beatty Capital, bringing in PPP funding and creating construction opportunities.

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Progress is being made in three areas in particular:

- Renewable energy infrastructure, especially offshore wind and niche opportunities such as straw biomass energy plants and carbon capture and storage consultancy
- Municipal waste management facilities; and
- The greening of existing buildings through retrofit of low carbon technologies and energy consulting services.

Wind energy and carbon capture and storage

In addition to opportunities in offshore wind we continue to work on the UK's largest onshore wind farm at Whitelee and through Parsons Brinckerhoff are working for EDF Energy Renewables to identify and develop further sites.



For further details on the offshore wind market go to [P27](#) for more information

Parsons Brinckerhoff continues to support the UK Government's Carbon Capture and Storage (CCS) programme and is working on the first phase of the EU CCS competition, positioning us at the forefront of CCS consultancy.

"The recent Gloucester and Essex project awards demonstrates the breadth of our investment business model and further strengthens our position in the growing waste sector."

Anthony Rabin, Deputy Chief Executive, Balfour Beatty

Developing manufacturing opportunities in the biomass market

Romec, our joint venture facilities management business with the Royal Mail in the UK, fabricates mail sorting machines in Newcastle. A review of the Government's Renewable Heat Incentive (RHI) indicated significant growth potential in biomass through guaranteed subsidies over 20 years. Romec have responded to this opportunity by producing one of the first UK manufactured automated biomass pellet stores and creating a new outlet for its manufacturing expertise.

balfourbeatty.com/sustainability

Making the most of waste

In the UK, it is predicted that 30–40 municipal energy from waste plants are needed within the next five years at upwards of £200m each. This represents a market worth over £8bn by 2015.

We have traditionally focused on smaller plants such as the £11m, 40,000 T/month composting facility recently completed by Balfour Beatty Regional Civil Engineering in Avonmouth. We significantly strengthened our presence in this market during 2011 with preferred bidder status for two large projects (see P28).

Green-retrofit and building energy efficiency

This market is being driven by regulatory and policy developments such as the UK's Green Deal, Feed-in Tariffs, Renewable Heat Incentive, Carbon Reduction Commitment and Building Regulations. To access these opportunities, we strengthened our energy consulting and buildings refurbishment capability in 2011 through the acquisition of Power Efficiency and OPL. Power Efficiency provide energy procurement, carbon reduction services and financing solutions to help clients improve their energy efficiency and cut costs. OPL, a specialist office fit-out contractor, complements our existing refurbishment and new build businesses.

Mansell, our regional construction business, also established an energy business to retrofit renewable technologies and undertake other energy efficiency opportunities across the affordable housing sector.

Retrofit goes green for the US military

Balfour Beatty Communities renovates and maintains thousands of homes for military families across the USA. With the introduction of our sustainability roadmap, our renovation teams have implemented a number of green renovation strategies. They installed LED lighting at Carlisle Barracks Army War College in Pennsylvania, reducing energy lighting consumption by up to 88%. During the renovation of the Senior Officers' Quarters in Jacksonville, Florida, lighting and water fittings upgrades will reduce lighting energy by 60% and water consumption by up to 30%. In partnership with the Habitat for Humanity ReStore programme, unwanted kitchen white goods from Travis Air Force base in California and bathroom porcelain fittings at Fort Stewart/Hunter Army Airfield are carefully removed, cleaned and donated for reuse in low income family projects.

Work winning workshops

During 2011, we held workshops in Atlanta and London for our business development and sustainability teams to share best practice and their experiences in exploiting new growth opportunities in the green economy. Megatrending techniques were also used to examine what new opportunities and business models might arise in a decade's time. Themes explored included the growth of urbanisation in developing economies such as Brazil and India, the importance of partnering with other global solutions providers and the role of the private sector in delivering sustainable development.

Our plans for 2012

We will continue to build on the successes we have achieved in the green economy in the UK, the USA and across our global operations.

The Towers Project, University of Derby

Our fit-out specialists in the UK, OPL, were awarded the Green Gown Award for sustainable construction and refurbishment for their project at the University of Derby.

The project helped the University to halve its gas and electricity bills in the 1960s building through reducing energy loss and generating electricity on site using solar panels and wind turbines.

balfourbeatty.com/sustainability



Meeting our customers' needs

We strive to deliver excellence in sustainability by working with our customers to achieve or exceed their sustainability goals.

Why this matters to us

Meeting customer needs is fundamental to any business. In recent years, we have seen growing numbers of customers wanting sustainability to be a key part of our service. We believe that the way we deliver more sustainable solutions will be a key differentiator in our increasingly competitive markets.

Our vision is that over time our leadership will result in more sustainable infrastructure consistently being the best option for our customers. In practice this means not only understanding and responding to our customers' aspirations in this area but also exploring how we can add value through sustainability, identifying and promoting more sustainable options for our customers to consider.

By developing our capabilities in emerging areas such as zero carbon and green buildings, we will grow our business. During 2011, we completed the largest net-zero middle school in Texas, which generates more energy than it uses through renewable technologies. This is one of only three net zero schools in the USA, giving us early mover advantage in this developing market.



For further details on our net zero schools go to [P5](#) for more information

Our approach

Measuring our impact

In 2010 we introduced a measure of sustainable products/services delivered as a percentage of Group revenues. In 2011, we are reporting the value in GBP of completed projects that have received their relevant sustainability certification eg BREEAM, LEED or Estidama for buildings or CEEQUAL for civil engineering schemes, and renewable energy projects. The value of sustainable products/services delivered in 2011 increased to £2.5bn (2010: £2.3bn).

We have changed the reporting of this measure as it will allow for tracking, in real monetary terms, the value of sustainable products/services market which we are trying to influence our customers to participate in. The new figure is also more concisely calculated as it is reported once certification has been obtained avoiding any potential for re-counting the value of large projects which span more than one reporting year.

In 2011, 7% of new projects initiated during the year had sustainability deliverables agreed with the customer (2010: 3%). This is a measure of our success in encouraging our customers to seek more sustainable outcomes on their projects or contracts.

Continued on p32 ➔





For more information go online:
balfourbeatty.com/sustainability

Transforming waste management at the Metropolitan Police

Balfour Beatty Workplace, our UK facilities management business, has been working with the Metropolitan Police Authority (MPA) since 2009. In less than two years, we helped the MPA increase their recycling rate from 40% to 99% across their 330 sites.

balfourbeatty.com/sustainability

LEEDing the way in green construction

Student Union, University of British Columbia; LEED Platinum and Living Building challenge principles will be applied to this net-zero energy and net-zero water building.

balfourbeatty.com/sustainability

Profitable markets



Setting the standard in green buildings

During the period 2008–2010, we delivered over 1,000 certified green buildings, of which over half achieved LEED Platinum/Gold or BREEAM Very Good – Outstanding. During 2011 we delivered the first LEED Platinum Building in Hong Kong at Hysan Place, the US Marine Corps first LEED Platinum certified building at Camp Pendleton, California and contributed to the highest ever scoring BREEAM building in the UK at Bradford University Halls of Residence through our modular Mechanical & Electrical solution.

balfourbeatty.com/sustainability

Profitable markets

Meeting our customers' needs

Building our capabilities

During 2011, we continued our efforts to develop further our work winning approaches through sustainability. We held workshops in London and Atlanta to share best practice. Our operating companies have developed core offerings on sustainability for their customers and have targeted specific bids on which to deliver excellence in sustainability. Our ability to articulate high quality sustainability elements in bids has improved, achieving success at the Olympic Park, Finsbury Park to Alexandra Palace line and the Snowhill2 office development. We have developed our capabilities to address the green industries sector (offshore wind, green building retrofit, energy from waste, biomass and energy consulting services) ([see our Growing our business in the green economy section](#)).

Awards

Sector leading sustainability performance in civil engineering

The UK Highways Agency has recognised the value of our approach to sustainability placing us first out of its 21 Tier 1 contractors during its StART evaluation process in 2011. Balfour Beatty also received the sustainability award from the Highways Agency for our corporate sustainability programme and delivery on projects.

Blackfriars station project receives top London award

Our work to redevelop Blackfriars station received the Best Environmental Performance award of any project in the City of London and the Chairman's cup for the best overall project in the City in 2011.

Our plans for 2012

Demand for knowledge sharing on sustainability is growing in our businesses. We will continue to share best practice in work winning for our business development teams. We will hold a workshop to explore and share best practice in the healthy communities aspects of work winning and share knowledge on emerging markets for sustainability goods and services.



Accord Group, UK

Delivering sustainable communities in the green economy

Sustainability is too big for any one organisation to tackle on its own. It is a collective responsibility. During the launch of our 2020 vision film in 2011, we recognised the part played by our customers. We presented an award to Accord Group, a long-standing customer of Mansell, our UK-based social housing and construction business. Accord Group pioneered the use of Norwegian timber framed solutions to not only deliver Code 6 Level Sustainable Housing but also create new employment opportunities at their West Midlands timber manufacturing plant.

www.accordgroup.org.uk/green

Winning work through sustainability

Zero Carbon Buildings

Our expertise in zero carbon buildings was instrumental in our joint venture business, Gammon Construction, being awarded the first zero carbon eco-home and office development in Hong Kong, due to be completed in 2012. Balfour Beatty Engineering Services will be refitting 250 M&S stores in the UK with new LED lighting as part of their Plan A initiative, designed to reduce lighting power consumption by up to 60%.

More sustainable rail bridge scheme secures Network Rail contract

The original specification from Network Rail called for the replacement of a 70-tonne steel bridge on the Finsbury Park to Alexandra line in London. We proposed an alternative design, retaining the existing bridge, track and ballast. The tender was not won on price but on reduced reputational risk, lower embodied carbon impacts and a dedicated community budget for the project.

Snowhill2

Snowhill2, a £47m office development in Birmingham, UK was originally designed to achieve a rating of BREEAM Excellent. Balfour Beatty rose to the challenge and offered the far more advanced solution of BREEAM Excellent 2008, with the option to achieve BREEAM Outstanding. Our commitment to sustainability excellence was key to winning the work.

Work winning on the Olympic Park through social enterprise

Balfour Beatty Workplace successfully pioneered a new social enterprise model to win the estate management contract for the London Olympics. In conjunction with specialist regeneration partners (Groundwork and Renaisi) we will work with the local community to create new local jobs, new businesses and volunteering opportunities through a mix of private, public and charity funding.

US Army and EPA Net-Zero Program

The US Environmental Protection Agency and US Army's net-zero program aims to bring the consumption of energy and water and landfilling of waste to an effective rate of zero by 2020. Our military housing business, Balfour Beatty Communities has reduced water use for landscaping by 65% at Fort Carson, Colorado through xeriscaping techniques and has been working on a program for its Fort Bliss military housing project to lease 13.2MW of solar power at Fort Bliss in Texas.



For more information go online:
balfourbeatty.com/sustainability



working with our customers to achieve their sustainability goals

Profitable markets

Partnering for sustainability success at Heathrow

Balfour Beatty is a founder member of the Heathrow Sustainability Partnership, working to deliver a more sustainable Heathrow. Through our work on the new Terminal 2B, we established a Construction Academy and worked with our supply chain and other partners to create real sustainable employment opportunities for local people.

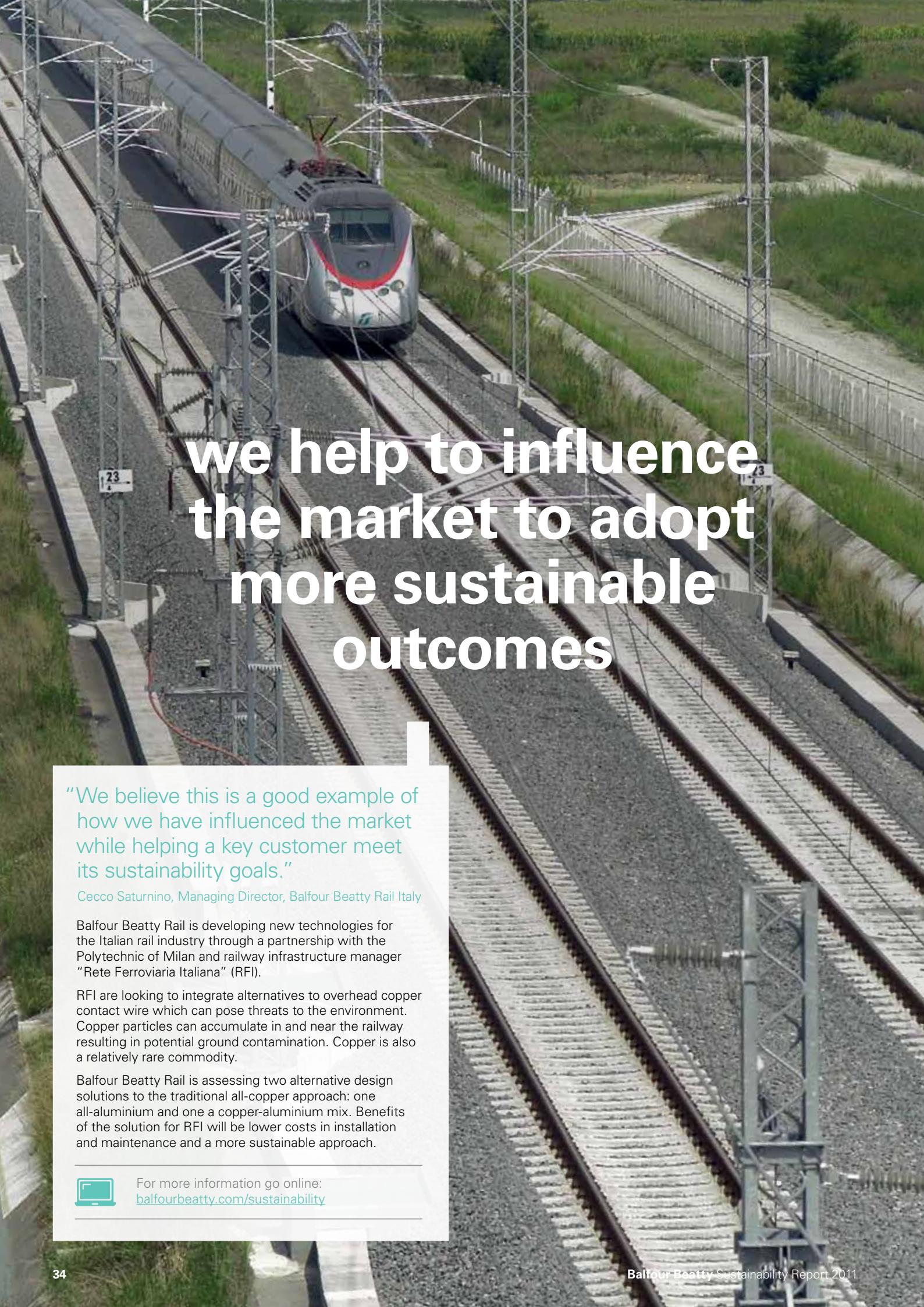
We also reused 425,000m³ of excavation spoil from the site to construct an engineered clay layer of a nearby closed landfill site, protecting the environment for future generations. This reduced road haulage, cutting carbon emissions by 8,800 tonnes, the equivalent of 5,700 return flights from London to New York. All 200,000m³ of concrete for the foundations was responsibly sourced and we reached two million working hours without a reportable accident on the site.

“Balfour Beatty has supported us in working towards our environmental ambitions and through their leadership in the Heathrow Sustainability Partnership have delivered 40 new construction jobs for unemployed local residents.”

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



For more information go online:
balfourbeatty.com/sustainability



we help to influence the market to adopt more sustainable outcomes

"We believe this is a good example of how we have influenced the market while helping a key customer meet its sustainability goals."

Cocco Saturnino, Managing Director, Balfour Beatty Rail Italy

Balfour Beatty Rail is developing new technologies for the Italian rail industry through a partnership with the Polytechnic of Milan and railway infrastructure manager "Rete Ferroviaria Italiana" (RFI).

RFI are looking to integrate alternatives to overhead copper contact wire which can pose threats to the environment. Copper particles can accumulate in and near the railway resulting in potential ground contamination. Copper is also a relatively rare commodity.

Balfour Beatty Rail is assessing two alternative design solutions to the traditional all-copper approach: one all-aluminium and one a copper-aluminium mix. Benefits of the solution for RFI will be lower costs in installation and maintenance and a more sustainable approach.



For more information go online:
balfourbeatty.com/sustainability

Influencing for sustainability

We help to influence the market to adopt more sustainable outcomes. From thought leadership on the natural environment, industry partnerships, sharing our knowledge across our sectors to the development of innovative water footprinting and climate change adaptation tools, we are playing our part.

The natural environment is growing in importance and we have started to influence the UK Government's thinking in this area.

Why this matters to us

As we operate across the infrastructure lifecycle we have a major opportunity and responsibility to influence the future direction of the sustainability agenda and promote more sustainable outcomes. This can help grow our business.

Differentiating our services through sustainability will help us to win work in existing markets and capitalise on new business opportunities in the multi-billion pound green economy of the future. Influencing the wider agenda also helps us to reach our goal of leadership in our sector.

Our approach

We seek to influence a more sustainable approach to the provision of infrastructure by:

- providing thought leadership on key issues such as carbon and emerging ones such as water and biodiversity off-setting
- partnering with a range of organisations to help influence the development of standards and practices in our sector
- sharing our successes and raising awareness of our sustainability capabilities and expertise with our stakeholders through our marketing materials, project offerings, and customer perception surveys
- targeting our research and innovation effort to enhance our capabilities in delivering more sustainable infrastructure.

By October 2011, 39% of our businesses had incorporated sustainability into their marketing materials (2010: 28%). The others will do so by the end of 2012 as part of their roadmap commitments.

Thought leadership

Significant effort across the sector is already underway in areas such as climate change. We play our part in these initiatives such as our selection and membership of the newly formed Green Construction Board. As the leading UK infrastructure provider, we also recognise the role we can play in developing thinking on emerging issues that we believe will grow in importance over the coming decade that are aligned to our 2020 vision and roadmap.

We continue to develop thinking around water – both in terms of the industry reducing its use of water in the construction process and exploring indirect water impacts through the development of water footprinting tools.

Water footprinting tools – an industry first?

During 2011, we developed a suite of water footprinting tools which we believe to be a first for our sector. Unlike carbon, water is a local issue, with its environmental impact being a function of the volume of water used and its water stress in a given area. The more stressed a locality is in terms of its water resources, the greater the impact will be. We developed tools for our offices and projects sites, one based on the bill of materials for construction projects (embodied water) and another tool for specific products.

Natural Environment White Paper

In 2011, the UK Government produced its Natural Environment White Paper. Balfour Beatty provided both written and oral evidence to the Environment, Food and Rural Affairs Committee and encouraged the Government to use the procurement process to move from ecological protection to enhancement (aligning with our 2020 vision).

Water action plan for UK construction

Through our membership of the UK Contractors' Group, we chair the water sub-group of the Strategic Forum for Construction. In 2011, we helped launch the water action plan for the sector and produced guidance for construction companies on how to minimise water use during the construction process. We will continue this work to quantify water use during the construction cycle, share best practice at Ecobuild and work with the Green Construction Board.

Customer perception

Our roadmap encourages our businesses to seek feedback from our customers on how well we are delivering sustainability. We are beginning to see satisfaction scores improve and customers recognising our efforts to promote more sustainable outcomes.

"85% of Balfour Beatty Utility Solution's customers reported that our approach to sustainability had been maintained or improved over the past year."

2011 Customer Survey Balfour Beatty Utility Solutions



Environment
Agency

Environment Agency Carbon Calculator

Balfour Beatty collaborated with the Environment Agency to influence the development of their carbon calculator, originally developed for flood defence schemes, for use on building projects. We tested the existing tool on a range of building types in commercial, education, transportation and water sectors and recommended improvements for incorporation into the new tool and identified areas for further development. www.wrap.org.uk



For more information go online:
balfourbeatty.com/sustainability

Promoting our sustainability successes

We enhanced our media engagement effort and promotional activities to share the benefits of more sustainable infrastructure. Positive mentions in the media of our sustainability activities increased threefold over the year to 784 in 2011 (2010: 224). For example:

- interviews of senior management in publications such as Construction News, CEO Magazine, Excellence in Leadership and Guardian Sustainable Business
- presentations on sustainable construction for the ICE, ecology for CIRIA, scope 3 carbon at the Carbon Show in the UK and on Carbon Capture and Storage at the PowerGen Asia conference in Malaysia
- features and published case studies such as the Public Sector Journal
- external speaking events such as Mike Peasland sharing his views on leadership models and sustainability.

"Balfour Beatty's contributions during 2011 have been invaluable, whether this be the funding of our STEP leadership programme, supporting our campaign on Display Energy Certificates or sharing their expertise in our Olympic learning legacy programme."

Paul King, Chief Executive of the UK-Green Building Council.



The issue: Nexus, a passenger transport executive based in the north east of England, needed to retain ballast on a 700 metre stretch of railway embankment on its Metro network – and quickly.

Our response: Balfour Beatty designed and developed a solution that reduced the time of the project by 25% and also cut the cost by 40%.

How we did it: We offered nine alternatives to the original design, one involving a ballast retention system from Switzerland known as Rugeli. Steve Marshall, Contracts Manager, commented: "Our solution was both simple and sustainable, as recycled steel track is used. We needed considerable determination to implement however, as Nexus was unfamiliar with the system and asked us to take full responsibility for the design."

The outcome: Nexus was delighted with the result and intends to use the Rugeli system on a 1.2 kilometre stretch of track in 2012.

Innovation

Innovation is a key ingredient in our 2020 vision. In assessing our operating companies progress against the minimum expectations in the roadmap in 2010, two areas in particular were identified as particularly challenging – climate change adaptation and understanding indirect water impacts (water footprinting). During 2011, we commissioned two projects to develop tools that our operating companies could use in both these areas.

Parsons Brinckerhoff developed a suite of water footprinting tools for Balfour Beatty, which we believe to be a first in the construction sector. These tools estimate the amount of water and quantify the environmental stress of this consumption associated with our premises and used in the manufacture of the materials used on our construction projects. These tools were piloted on our Terminal 2B project at Heathrow ([see our Meeting our customers' needs section](#)) and training in their use was delivered to our sustainability teams around the world. You can find out more about our climate change adaptation framework here ([see our Energy, carbon and climate change section](#)).

Further examples of innovation include:

- Use of modular pump houses by our utilities business
- Closed loop process for waste plastic into cable protection covers ([see our Waste section](#))
- Use of 99% recycled content materials for "patch" repairs on roads in the UK on our local authority contracts
- More durable concrete sea defences (which avoid the use of structural steel ([see our Materials section](#)))
- Development and use of local spend calculator by Mansell to measure its impact on local economies
- Measurement of whole-life carbon for a commercial development ([see our Energy, carbon and climate change section](#))

We believe that our eco-lootioon site accommodation cabin is already the most sustainable on the market with its innovative battery pack design, waterless urinals, integral rainwater harvesting and effluent incinerator unit reducing CO₂ emissions by up to 80%. It was also the first cabin to achieve an A rated Energy Performance Certificate. Its development continues in partnership with the University of Strathclyde, the Building Research Establishment and Arup to create the next generation of low carbon, sustainable cabins.

Awards

Tabitha Crawford, Sustainability and Innovation Officer, Balfour Beatty Capital Group based in Nashville, USA was named "Southeast green innovator of the year" in 2011.

Our plans for 2012

We will continue to respond to opportunities to influence the sustainability agenda in the UK and beyond, including:

- participating in DEFRA's biodiversity offset pilot programme in the UK
- contributing to the revision process of the international standard for environmental management systems ISO 14001
- deliver a thought leadership series of seminars at Ecobuild, the UK's largest construction related exhibition (including Building Information Modelling, low carbon refurbishment, lifecycle carbon tools, water footprinting and policy development for green infrastructure)
- continue our work on greening the industry with the Strategic Forum for Construction and The Green Construction Board in the UK
- continue to broaden our influencing effort in North America.

Industry partnerships during 2011

We believe that co-operation with other companies in our sectors on sustainability issues can help us drive improvement in a way that we cannot do on our own. Sector-led initiatives can drive the adoption of best practice. Some examples are presented below

Region	Balfour Beatty Memberships
UK	<ul style="list-style-type: none">• Business in the Community• CEEQUAL (we were the first highways maintenance contractor to pilot CEEQUAL and are contributed to the revision of CEEQUAL standard)• Construction Industry Research and Information Association – Construction Industry Environmental Forum (we helped develop and launch a biodiversity guide for infrastructure)• Considerate Constructors' Scheme• Energy and Climate Change Select Committee• Institute of Civil Engineers (ICE) Environment and Sustainability Group• Strategic Forum for Construction (chair the water sub-group – see Water Action Plan in Construction)• Prince's Trust (see our Supporting The Prince's Trust section)• UK-Green Building Council – sponsor of the STEP leadership programme and contributed to work on Display Energy Certificates• UK Contractors' Group environment forum (led the UKCG's response to DEFRA encouraging mandatory greenhouse gas emissions reporting and contribute to both the sustainable materials and carbon sub-groups)• Waste Resources Action Programme
Continental Europe	<ul style="list-style-type: none">• ENCORD (contributed to the development of the ENCORD response to GRI Construction Real Estate Sector Supplement consultation)
North America	<ul style="list-style-type: none">• American Solar Energy Society• Association of Energy Engineers• Energy Star Partners Programme• Pew Centre for Global Climate Change• RCI-Live Army Green Programme• Solar Electronic Power Association• US-Green Building Council
Rest of World	<ul style="list-style-type: none">• Hong Kong Building Environment Assessment Method (HKBEAM)• BuildSafe Dubai• Business Environment Council (Hong Kong)• Climate Change Business Forum• Emirates Green Building Council• Hong Kong Green Business Council



To CSO or not to CSO?

What is the right role and structure to embed your corporate sustainability strategy? That was the question asked on 9 May 2011 when 170 sustainability executives met at a Green Monday™ networking event to discuss the merits of the Chief Sustainability Officer role on the boards of companies. Mike Peasland, CEO Construction Services UK and chair of the Balfour Beatty Sustainability Working Group shared his views on how we are going about embedding sustainability across all levels in the Company. It's a shared responsibility.



Watch the video at:
www.youtube.com



The bridge of the future

Blackfriars Station is the first station to span the River Thames as part of the London Thameslink upgrade. The bridge itself is fitted with 1MW of photovoltaic panels providing 50% of the station's annual energy needs while allowing for larger trains to help cut congestion at peak times.

balfourbeatty.com/sustainability

Keeping New Zealand Beautiful

Specially designed electricity transmission towers constructed by Balfour Beatty Utility Solutions for use in environmentally sensitive areas on North Island, New Zealand.

balfourbeatty.com/sustainability



Healthy communities

Our 50,000 employees have a vital role to play in embedding sustainability into the way we work whether this be in delivering our vision of Zero Harm to applying their talents across an increasingly diverse and international business. We continue to collaborate with our supply chain partners to identify more sustainable innovations and help to create thriving local communities long after our projects have finished.

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- 53 Supply chain
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For more information go online:
balfourbeatty.com/sustainability

Highlights

17,000

employees completed our sustainability e-learning course

Diversity

A Group-wide programme has been agreed for 2012 by the Balfour Beatty board

500

of our leaders completed our "Leading Change: Driving the Safety Agenda" course

Thousands

of young people benefit from our support of The Prince's Trust.

Engaging our people

If we are to be a truly sustainable organisation, thinking and acting sustainably needs to be embedded into the way our employees behave and go about their work. During 2011, we substantially increased our employee engagement programme.

Why this matters to us

In our 2009 sustainability report, our stakeholder panel quite rightly identified the importance of employee engagement as a critical step to embedding sustainability into everything we do. In this section we include some of the ways our operating companies are going about embedding sustainability into our culture to help deliver our 2020 vision.

Our approach

Our operating companies have employed a wide variety of approaches to engage our employees on sustainability. These include posters, newsletters, films, competitions, workshops for business development ([see our Growing our business in the green economy section](#)), procurement ([see our Supply chain section](#)) and sustainability teams ([see our Sustainability vision and roadmap section](#)), employee surveys and appraisals.

E-learning course

Our sustainability e-learning course, was launched in 2011. We emphasise that delivering a more sustainable Balfour Beatty is a collective responsibility. The course comprises four modules (translated into seven languages):

1. Examining why Balfour Beatty wants to be a leader in sustainability and introduces the 2020 vision
2. Presents six case studies from our projects around the world to illustrate what sustainability looks like in practice
3. Work-related scenarios that explore our employees' decision making on a selection of sustainability dilemmas
4. Sign posts where to go to get more information.

Over 17,000 people have completed the course and 60,000 commitments to adopt more sustainable behaviours were pledged. Over 90% of learners said they agreed or strongly agreed that Balfour Beatty has a strong sustainability agenda and that there were things they could do as part of the role to contribute to more sustainable outcomes. More than 8,000 employees have completed an off-line sustainability course.

"New York University in Abu Dhabi is a good example of how we are working with the client and main contractor to align Estidama sustainability deliverables with the design."

Fares al Saher, Business Projects Manager, BK Gulf, Dubai

Communications sub-group

During 2011, we established a communications sub-group, made up of communications specialists from across the Group to share good practice in employee engagement, co-ordinate dialogue with the media and other events.

"For me, sustainability is the work I do alongside the project teams and subcontracting companies on Southwark Building Schools for the Future (BSF) programme to ensure a legacy is left for the local community."

Elise John-Lewis, Project Skills Co-ordinator, Balfour Beatty Construction Scottish & Southern, UK

Our plans for 2012

We will continue to roll out our sustainability message and engage our employees on how they can contribute, including completion of the e-learning or the off-line version of our sustainability course. We will also hold a sustainability month to engage our people on our projects and in our offices to promote their sustainability successes and engage with our wider communities.

60,000 commitments made by our employees to adopt more sustainable behaviours

Over 90% positive feedback from our sustainability e-learning course



Balfour Beatty Rail Spain and employee engagement

During 2011, our Spanish rail employees completed a tree planting session to offset the CO₂e emissions associated with their direct energy usage in 2010. Over 90% of staff participated in the planting of native Juniper near the camping resort of Segovia.

balfourbeatty.com/sustainability



2020 vision film

In October 2011, we premiered our 2020 vision film to 200 of our employees, customers, supply chain partners and the media at King's Place in London – the same venue where we publicly launched our vision and roadmap two years earlier. The film describes how our employees from around the world are turning our sustainability vision into reality on their projects.



Watch the video at:
balfourbeatty.com

The screenshot shows the Balfour Beatty website's sustainability page. At the top, there's a banner with the text "Sustainability is our collective responsibility". Below it, there are sections for "2020 sustainability vision", "Our collective responsibility", "Zero Harm", and "Sustainability report". On the left, there's a sidebar with links to "Sustainability and our business", "Our 2020 vision", "Our work in practice", "Managing sustainability", "Community investment", "Reports", "Blog", and "Resources".

Join the debate

A new dedicated sustainability website was launched during 2011, where you can read more about our 2020 vision, see what sustainability means to our sustainability champions and join the debate to tell us what you think on key issues.

balfourbeatty.com/sustainability



Sunday Times Best Green Companies

We entered the Sunday Times Best Green Companies awards as a Group for the first time in 2011. We ranked 45th out of the 60 companies that made the grade. As well as submitting evidence of our environmental performance, 1,800 employees provided online feedback in terms of how we were improving our environmental performance in practice. 70% of these employees reported they receive regular communications on environmental issues. Unfortunately, after a run of four years, the annual survey will be discontinued.

balfourbeatty.com/sustainability

Looking after our people in the outback

Within Australia, Parsons Brinckerhoff employees are frequently required to work in extremely remote areas. One of the key challenges with remote work is to be able to maintain communication with the home office and to locate remote workers in the event of an emergency. To overcome this challenge in the past, satellite phones and emergency locator beacons were being used. However the former was expensive and often prone to failure and damage; and the latter were only to be used in an absolute emergency.

Due to the potentially serious health & safety risks associated with remote work it was given specific focus as part of Australia-Pacific's Zero Harm Journey Plan. From the consultation done as part of the Zero Harm program, an innovative product was identified that addressed the above shortcomings: the GPS SPOT tracker. Within days of the

GPS SPOT tracker being used in the field the following report of its success was received.

Two Parsons Brinckerhoff employees were monitoring groundwater bores in an isolated area of Queensland when they bogged their vehicle attempting a routine creek crossing. An attempt was made to free the vehicle with recovery equipment but it was decided this was unsafe and so a decision was made to instead send an "assistance required" signal with the GPS SPOT tracker. The employee's manager immediately received their distress signal and arranged for a recovery vehicle to be sent to their precise location. The bogged vehicle was subsequently recovered allowing our employees to safely resume their travels.



For more information go online:
balfourbeatty.com/sustainability



health and
safety is
absolutely
paramount

Health and safety



The health and safety of our staff and the public is absolutely paramount. Our employees have a fundamental right to go home safely with no injury. And no members of the public should be at any risk of harm due to our activities. In 2008, we set out a bold vision to make Balfour Beatty a safer place to work and achieve Zero Harm. Progress has been made but there is more to be done to achieve this goal.

Why this matters to us

We have always set ourselves high standards in safety, and the launch of our Zero Harm programme in October 2008 has been crucial to driving improved safety performance across Balfour Beatty. The programme has been adopted in all Balfour Beatty businesses and become part of how we operate.

Whilst keeping our employees and the public safe, we are also required to demonstrate exemplary safety performance in many of the markets we operate in. We are recognised for our industry-leading safety performance which helps differentiate our service offering.

Looking after our employees is how we strengthen our reputation as a trusted employer and supplier of high-quality, safe services to our customers. Only by setting the highest standards for ourselves will we be able to retain the trust of our customers and the people using the infrastructure we develop.

Our approach

Our approach to Zero Harm comprises six elements that are applied across our business.

- **Leading:** every leader commits to Zero Harm and inspires their people to make it their personal priority
- **Simplifying:** we make sure our systems and processes help people do this, not get in the way
- **Re-thinking:** we look at what we do with fresh eyes, challenge the status quo, and re-engineer how we do it to eliminate the risks
- **Involving:** we engage everyone who works for us to make safety a personal priority
- **Learning:** we seek out and share what works well, adapt it for our own environment then make it what we do
- **Tracking:** we identify where we can improve, how to close the gap and when we achieved success

Key milestones on our journey are summarised below on the Zero Harm timeline.

Our Vision

We will achieve Zero Harm with zero deaths, zero injuries to the public and zero ruined lives among all our people. This means no seriously disabling injuries, no long-term harm to health and achieving an accident frequency rate of <0.1 whilst aiming for zero by 2012.

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Our progress

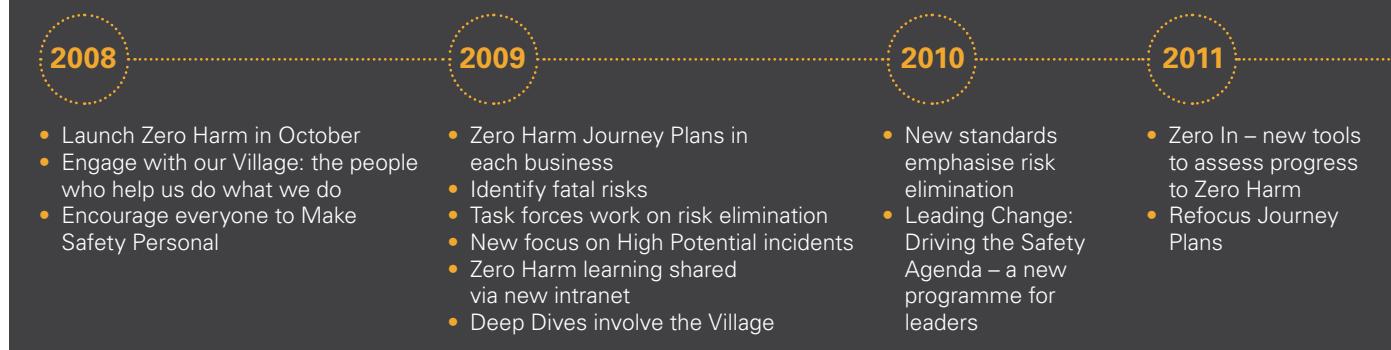
A bold vision like Zero Harm does not come easily; it demands real leadership; a consistent focus on risk elimination and unrelenting attention to detail. Awareness of Zero Harm across the business is a real success story. Progress in delivering its goals has been mixed and we need to do more over the coming year to ensure as many of our businesses as possible achieve Zero Harm.

Since 2008 we have gained real insights into what works and what can go wrong. Work is not always planned from a Zero Harm perspective or in sufficient detail, or is left to experienced subcontractors and industry custom and practice. Our focus is that Zero Harm thinking needs to permeate all aspects of design and planning well before work starts on site. Change and unplanned work feature in nearly all of our serious incidents. While we often tell people to stop if something changes, we also need to embed a simple process to reassess and re-plan the work. With growth and new people entering the business, constant attention is needed to maintain the basic processes for safe operations. We must reward safe behaviour, simplify procedures and make clear the consequences of non-compliance.

Fatalities

During 2011, there were no fatalities in our wholly owned businesses (2010: four) but tragically there were five work-related deaths in our jointly owned international businesses (2010: one). These fatalities all occurred in Gammon Construction, our joint venture business operating out of Hong Kong ([see P45](#)).

Our Zero Harm Journey



Healthy communities

Health and safety

Accident frequency rate

Over the past year, the accident frequency rate (AFR)¹ for our wholly owned businesses reduced by nearly 10% from 0.19 to 0.17. However, the overall Group AFR increased from 0.16 to 0.17, due to an increased AFR in our jointly owned international businesses.

Trend in Accident Frequency Rate for 2001–2011 (split by OpCo and Group)



— AFR (OpCo's) ... AFR (Group) — Hours (OpCo's) ... Hours (Group)

Permanently disabling injuries

Five permanently disabling injuries occurred in 2011 (three in the UK, one in Germany and one in Hong Kong) compared to two in 2010. One of these incidents resulted in a leg amputation following an excavator crushing injury, two resulted in finger amputations, one in the amputation of a foot and the other involved a serious head injury.

Public safety

158 injuries to the public were reported in 2011 (2010: 159), of which 90% were of a minor nature. Of these incidents, five resulted in major injury and a further three in lost time. 50% were due to slips, trips and falls, with a further 20% struck by a moving or falling object. The majority of injuries occurred in our utilities, construction and facilities management businesses.

Fines and convictions

During 2011, the Group was fined a total of £163,000 for five separate health and safety violations as detailed below (2010: £38,800):

- A road-side CCTV repair worker died in a fall from height in January 2006. Birse Civils was fined £100,000 and ordered to pay £18,000 costs
- Following a potential asbestos exposure in December 2009, Mansell was prosecuted and fined £50,000
- Our Hong Kong joint venture Gammon Construction faced four convictions during the period, two related to work at height and one each related to eye protection and safe systems of work. The company was fined £7,432 equivalent
- Our US company Balfour Beatty Infrastructure Inc was fined £3,400 equivalent for minor safety violations
- Balfour Beatty Construction US' Fort Benning Reception Center received a fine of £2,050 equivalent for incorrect propane gas storage

Occupational health

We ensure our employees are fit for work and undertake regular occupational health screening (including drugs and alcohol). During 2011, 9,676 employees received screening (2010: 9,101). Of these 7% were referred for further medical examination (2010: 8%). No cases of silicosis were reported across our business (zero in 2010).

We also support the wellbeing of our employees by providing diet and healthy lifestyle information and support ([see our Wellbeing and absence section](#)).

Key hazards

We continue to address the seven key fatal risks identified across the Group:

- Working with electricity
- Working at height
- Lifting operations
- Plant and equipment operation
- Falling objects
- Contact with moving vehicles
- Driving

We continue to improve our investigation and reporting of High Potential incidents – those incidents that under different circumstances could result in serious injury or fatality. These reviews are undertaken by senior management and the learning shared across the Group. A total of 240 High Potential incidents were investigated across the Group in 2011 (2010: 200).

Key data

Safety Performance data:

Major injuries	189	(2010: 183)
Over 3 day injuries	358	(2010: 289)
Group AFR	0.17	(2010: 0.16)
High Potential Incidents	240	(2010: 200)
Public injuries	158	(2010: 159)

Awards

Dutco Balfour Beatty, operating out of Dubai, won the DuPont Safety Award 2011 in the Sustainable Business Impact Category for its worker champion initiative.

Balfour Beatty Construction Scottish and Southern won the Royal Society for the Prevention of Accidents (RoSPA's) highest award – the Sir George Eagle Trophy, for their Zero Harm programme:

"Balfour Beatty Construction Scottish and Southern has put down a solid benchmark for accident and ill-health prevention that we hope other firms will strive to achieve. The company's overall approach to health and safety is not to punish or stigmatise, but to encourage behaviour change through dialogue with workers and celebrating success."

Tom Mullarkey, Chief Executive, RoSPA

Dan Sheridan, of Balfour Beatty Construction US, was named as the TEXO safety professional of the year in 2011. TEXO is a Texan partnership formed by Associated Builders and Contractors (ABC) and Associated General Contractors of America (AGC).



For more information on employee wellbeing go to [P46](#)

¹ Number of reportable (major and over three-day) injuries per 100,000 hours worked.

Update on 2010 fatalities

In last year's report, we committed to providing an update into the five fatalities across the Group (four in the UK and one in Indonesia) in terms of our follow-on actions.

The fall from height on the Forth Road bridge prompted a renewed emphasis on sub-contractor management. Following the fatal trench collapse incident a thorough review was undertaken and training delivered on a suite of upgraded controls. Detailed risk assessments are now required for any excavation >0.5m depth by a qualified temporary works engineer. We completely revised our electrical safe systems of work following a fatal electrocution at a customer's data centre and shared these findings across the Group. A new vehicle marshalling course was implemented after a fatal crushing injury on the M25 project. A new Group standard on people/plant interface has been rolled out globally (including requirements for 360° visibility and sensors).

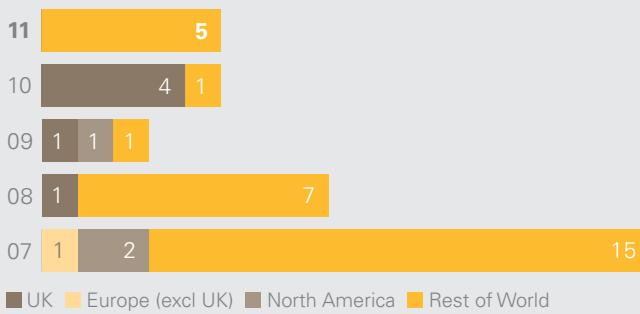
Following the fatality during overhead line works in Indonesia, we created a new oversight board to co-ordinate works between our utilities business and our Indonesian joint venture. We adopted best practice temporary works design standards from the UK.

2011 fatalities

There were five work-related fatalities during 2011 (2010: five). These all took place in Gammon Construction, our joint venture business operating out of Hong Kong. Two of these fatalities involved plant operations; the other fatalities involved lifting operations, electricity and working at height.

Full investigations were carried out for each incident and reviews were undertaken by Ian Tyler, our Chief Executive and senior management at Jardines, our joint venture partner. Changes have been made to the management of temporary works and project management controls, risk assessment processes upgraded and lessons learned shared across the Group. We are working with specialist advisers on behavioural safety in China to address the safety culture in the organisation, particularly senior leaders, project managers and supervisors. Gammon Construction is also liaising with other major Hong Kong businesses to identify any transferable best practices in safety management.

Fatalities 2007-2011



Our plans for 2012

Some of our businesses are already delivering Zero Harm outcomes, however, this performance is not yet replicated everywhere across the Group and we will be focusing attention on this over 2012 by re-energising our leadership of Zero Harm and focusing on risk elimination. Our businesses will deploy the suite of Zero-In tools we have developed to identify where improvements are most needed and extend the roll out of our leadership and managing change course to even more managers in the business. At end of 2012 we will take stock of our achievements. We will also restate our commitment to Zero Harm – everyone, everywhere, every day.



Vacuum extractors

Suction excavators virtually eliminate the risk of electrical service strikes when excavating around underground services.

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Asbestos monitoring to protect the public

Parsons Brinckerhoff in Australia has been working to help develop a strategy for the control of known asbestos zones at Newbridge Heights Public School in New South Wales. The ground investigation works will help the local government to form a strategy for monitoring known asbestos materials in the school to ensure that the health of children and local residents is not harmed.

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Sharing lessons learned

Following a fatal accident in Hong Kong, best practice in rebar (to minimise impaling hazards) was shared across the Group.

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Wellbeing and absence

Our people are key in everything we do and we focus on supporting individuals to achieve their full potential in the Group while leading a healthy and balanced lifestyle.

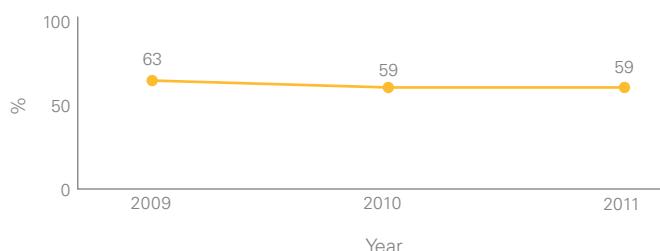
Why this matters to us

Our people are our most important asset. By recognising this we ensure that we continue to support all of our employees to reach their highest potential and to lead healthy and balanced lifestyles.

Appraisals

To help our employees to understand their performance and progress we have a programme of annual appraisals. In 2010, 59% (restated) of our staff (excluding joint ventures and our US Construction Business staff) received appraisals; this number remained static in 2011. We aim to conduct appraisals with 90% of employees in 2012.

**Percentage of employees who received appraisals
(excluding Joint Ventures and US Construction)**



Employee wellbeing

Our absence rate rose slightly from 2.1% to 2.2% from 2010 to 2011. While this increase in absence among our staff is concerning we are pleased to report a decline in the percentage of days absent due to work-related sickness and injury.

	2010	2011
Percentage days' absences due to work-related sickness	1.6%	0.6%
Percentage days' absences due to work-related injury	1.8%	1.2%

This improvement has been helped by our continued use of the Tr@ction system, which allows employees to report safety near misses in the workplace. Through investigating and trending data entered on Tr@ction, we are continuing to make our workplaces safer, healthier and more conducive to the quality of work we seek from our employees.

Know your numbers

We ensure that we support the wellbeing of our employees through being legally compliant, ensuring that all our employees are fit for work and supporting their wellbeing both at work and at home.

Our Occupational Health programme encourages employees to lead healthier lifestyles through regular exercise and healthy diet.

In 2011, Balfour Beatty Plant & Fleet Services developed a programme that provides free health checks followed by an "Understand Your Numbers" session to help employees understand their results and suggest actions they could take to improve their general health.

These feet were made for walking

The Global Corporate Challenge is the world's largest corporate health initiative improving employee health and wellbeing. To participate, teams of seven undertake a virtual walk around the world recording progress on pedometers. During 2011, 289 teams completed the 16-week challenge, averaging five miles per person (13,000 steps), with many achieving considerably more. Our best-performing team "Simply Dashing", from BK Gulf, travelled an incredible 10 miles per person per day.

gettheworldmoving.com



Wellbeing in Dubai

Balfour Beatty operates in over 80 countries, some of which have very different laws and standards of living from those in the UK. Dutco Balfour Beatty and BK Gulf, our two Dubai-based joint venture businesses employ several thousand hourly paid people in the UAE, principally from the Indian subcontinent and further afield in South-East Asia. Their wellbeing is important to us and during their stay in Dubai, they live in purpose-built, company-serviced accommodation. It contains a dedicated clinic manned by fully qualified medical personnel, a central laundry service and facilities to follow their religious beliefs. There are both subsidised restaurants and full kitchen facilities, access to satellite TV, cash machines and an abundance of green space for sport.

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Talent and development

Fulfilling the full potential of our people and maximising the range of talent and skills available in the business is a key requirement in realising our plans for growth. Extending our commitment to development and high quality leadership in the Group will also help us to attract and retain the best people in the market.

Why this matters to us

Increasingly in the markets in which we operate, leading edge technical skills are no longer enough to differentiate the Group from our competitors. More and more customers are looking for providers who understand their businesses and can work in partnership with them, not only on a particular project but also the broader business challenge they are looking to address.

The capability of our people to match strong technical skills with behaviour that foster innovation and strong, sustainable relationships, (both internally and in the market) is fast becoming an important differentiator for the Group. As a result, the capacity of our people to understand the full range of capabilities in the Group and operate in a way that integrates these for our customers is key. It gives the Group a platform to leverage the benefits of the diversity of our business in the market. The way in which we mobilise talents and deploy skills and support this with the right knowledge and behaviours in our people is crucial for our future success.

Leadership framework

Our approach to talent is founded on the Group-wide Leadership Framework which articulates what the Group expects from its leaders and provides focus and support for enhancing career development and mobility. An awareness of Sustainability is a key element of the framework which aims to promote virtuous corporate behaviour and instill our commitment to Healthy communities, Environmental Limits and Diversity.

Increasingly, it is expected that the full range of Group talent and training interventions are aligned to our Leadership Framework so that we are able to deliver a fully integrated development and career path to our people. From the Group perspective, there are three key components to our development agenda, Graduate and Management Development and evolving Leadership Development framework. These are supported by a range of talent and training programmes in the business aimed at extending our technical capabilities and accelerating development as part of a comprehensive annual Group-wide succession and talent review.

"Aligning and extending the Group's approach to talent and training will be a key component of the achievement of our growth objectives. Skills and behaviours that are broader than the technical skills on which we have focused historically will be essential in supporting our shift into growth markets."

Richard Gartside, Director of Talent and Leadership Development, Balfour Beatty

Graduate Intake

129

graduates in the UK
(128 in 2010)

514

were recruited outside
of the UK

Our continued commitment to recruiting graduates demonstrates the importance of graduates to our talent pipeline and our confidence in the growth of the business. Our UK schemes continue to provide graduates with support from our most senior management team (through activities such as a two-day annual graduate conference, our Chairman's Graduate Prize for Innovation and first year review meetings conducted with the senior team, including the CEO).

In 2011, we focused on achieving a common assessment process in the recruitment of all UK graduates in order to establish a consistent standard and to facilitate greater mobility of graduates across the business. In recognition of the quality of our schemes, we have continued to improve our position in The Times Top 100 Graduate Employers listing and we have also been shortlisted for one of the Targetjobs National Graduate Recruitment sector awards. Whilst continuing to promote our graduate schemes, we intend to focus on promoting the wide-range of alternative early career entry routes available in the Group, including a number of "Earn while you Learn" options, in response to the changes in university tuition fees.

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Healthy communities

Graduate development

A range of development programmes are attended by graduates from across the business. Graduates follow two programmes – Personal and Leadership Development which includes an Outward Bound element in the UK's Lake District and Principles of Project Management. Graduates also attend a conference in their own region aimed at promoting a Group-wide mindset, building networks and demonstrating a commitment to challenges such as diversity and sustainability.

Management development

The Group Management Development Programme is aimed at those who are in striking distance of their first role in a business leadership team. It aims to equip future leaders with a understanding of business strategy, sustainability, innovation, financial and business planning and change management. The practical application of learning on real Balfour Beatty business projects and challenges is a key feature of the programme.

Leadership development

The Group launched a step change in its Leadership Development in 2010 when it delivered the "Leading Change" programme in partnership with Duke Corporate Education. Since then over 500 senior leaders from across the Group have attended the programme, which aims to promote the effective management of change through a series of largely Safety and Sustainability-related case studies. A Group-wide 360 feedback tool and common Performance Development Review process have also been introduced in support of the leadership development agenda.

Group Development Programmes 2011

	No. participants	Feedback scores
Leading Change – Driving the Safety Agenda	210	>80% positive (average)
Group Management Development Programme	34	90% positive
Graduate Development – Personal Leadership	422	93% positive
Graduate Development – Project Management	347	89% positive

Thanks CEO

As part of the Graduate Development Programme, all UK graduates are invited to small group meetings with the CEO, or other members of the Executive Committee to discuss their experiences in the Group over the last 12 months, plans for the future and priority areas for the Group. After his meeting with Ian Tyler, the Group CEO, Dave Vallender, a graduate in BBUS, commented:

"I would like to thank you for the graduate day, I found it extremely interesting and beneficial. It was great to meet with Ian Tyler, and the other graduates. I am now actively looking at where I want to be this time next year and what I need to do to get there. The day has really opened my eyes."

Dave Vallender, a graduate in Balfour Beatty Utility Solutions

Practical application

The Group's Management Development Programme for senior leaders aims to combine strong conceptual content with practical examples from across the business to support the application of learning. The practical examples are typically presented by relevant members of the Executive Committee. Delegates reported that the formal session on strategy provided "Good coverage of a wide variety of Business Strategy depth..." whilst the session by Dinos Vassiaides, the Group's Planning and Development leader, was "A really good insight into how the Group applies the principles."

Our plans for 2012

2012 is an exciting year for the next iteration of a progressive talent and training agenda in the Group. The Group will launch new leadership programmes, the Advanced Management Programme and the Executive Leadership Programme (designed to support the transition to Operating Company and Divisional Leadership Teams respectively). It will also launch a Group-wide definition of High Potential to underpin our identification of talent and potential, and we will refresh the Leadership Framework in light of strategic priorities. Finally, the Group is looking to deliver the next stage of its Leadership Development Framework building on our successful partnership with Duke CE.

Talent Pools

Total Talent Pool Membership – 267 – (16% women). Successor to seniors management – 267 (13% women), Emerging Leaders 71 (21% women).

The Group manages Leadership Development through a series of Talent Pools made up of those with high potential. In the past 12 months, to compliment the focus on ensuring the right development plans are in place to fulfil potential and accelerate progression for this population, the Group has undertaken some analysis to ensure our Talent is more representative of the diversity of the organisation and the communities we serve. Although overall 16% of Talent pool members are women compared with around 24% of our employees, we are pleased that, at the more junior levels, 21% of our Emerging Leaders are women, a figure that is broadly in line with the proportion of women in the business.

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Annual Appraisals

Annual performance appraisal covers all employees 46% (50% 2010) and staff 59% (59% 2010).

Almost half of our people had a formal annual performance appraisal in 2011 and prepared performance objectives and a development plan for 2012. In order to maintain the momentum on creating a high performance culture the Group extended the consistent performance management and development review process from senior leaders in the Group and Divisions to Leadership Teams in our Operating Companies in 2011–2012. In applying a consistent and aligned approach to performance and development planning in this population, the Group is looking to drive mobility and career progression on the back of common performance standards. It is also looking to respond to common development needs in an integrated leadership development framework.

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Alison Rothnie – secondment to Hong Kong

Alison has worked for Balfour Beatty for six years. During her "day job" on the M25, London's orbital motorway, she is advising on the implementation of the 2020 vision and roadmap in terms of its maintenance and operation.

Alison completed a four-month secondment during 2011 working for Gammon Construction, our Hong Kong-based joint venture business. Not only was Alison able to work on some major road schemes on the other side of the world such as the Tolo Highway (see our Global issues section) she also shared some of the sustainability tools used in the UK such as carbon footprinting and CEEQUAL.

**"Working in Hong Kong was
the experience of a lifetime.
Opportunities such as this are
a great way to share sustainability
knowledge around the Group."**

Alison Rothnie, Sustainability Manager,
Connect Plus Services



For more information go online:
balfourbeatty.com/sustainability



Healthy communities

international opportunities for our employees

Managing our diverse workforce

At Balfour Beatty we believe that a commitment to diversity and an inclusive culture, in which individual differences are celebrated, is the right thing for our people and the wider communities we serve. We also believe it makes good sense for our business.

Why this matters to us

Increasingly, our customers are looking for innovative and joined-up solutions and the Group's ability to access the broadest range of talent and bring this together in diverse teams, means we are better able to meet their needs and exceed expectations. A growing number of customers are looking to work in partnerships with others who share their values, particularly around diversity and inclusion.

Our people and potential recruits are increasingly looking to work in an inclusive culture and our commitment to diversity means that we can access talent from the broadest possible pools so we recruit, develop and retain the best people in the market.

Finally, a commitment to diversity helps us mirror the communities we serve and build stronger, sustainable relationships with a broad range of stakeholders.

"We work together to create an environment in which everyone feels valued and there is equal opportunity for all. We behave towards others with integrity, honesty, courtesy, consideration, respect and dignity."

Group Code of Conduct

Our approach

Local focus and achievement

Historically, the Group has driven our commitment to diversity through local businesses and communities. This approach, empowering our people locally to own the agenda, has enabled us to address the challenge in a commercial and sector-specific way. It has also generated some market leading practice which has been recognised in a number of industry awards.

The Group's 2020 Sustainability Vision and Roadmap made a very clear statement of intent in relation to the value the Group attaches to diversity and committed Balfour Beatty to ongoing measurement, benchmarking and review of our achievements. Since then, the Group has sought to articulate more clearly what it stands for in this area and demonstrate this with a series of practical targets, measures and policies.

Group approach to diversity

Building on a strong platform of local activities, the Group has now sought to work with a range of partners such as Opportunity Now and the Global Diversity Practice to promote our commitment to diversity internally and in the market. Central to this has been the regular monitoring of the composition of our workforce and the ongoing review of core people processes (such as recruitment, performance management, learning and development, flexible working and progression).

The application of a "Diversity lens" to our annual succession planning and talent management reviews has enabled the Group to start to challenge some of the potential barriers to career development in the business with practical support and to accelerate the progression of under-represented groups. Across the range of our businesses, the Group now largely matches the gender composition against the relevant sector and already significantly exceeds it in some areas of the US business. For example some evidence indicates that the Group currently leads the Construction Sector in both the gender composition of our workforce and the proportion of women in professional or managerial roles. We also appear to lead the sector on job segregation, with a smaller proportion of women in the Group engaged in secretarial or administrative roles.

Extending the focus

Recent activities have sought to extend the focus of our commitment to diversity. We have worked hard to increase the recruitment of female graduates and those from ethnic minorities in the UK. We are currently looking to improve the promotion of the wide-range of apprenticeships and "Learn whilst you earn" degree opportunities as part of our support for the Government's Social Mobility agenda. The Group adopted the Government's "Every Employer Commits" Compact in 2011 and outlined some clear, practical means of support.

Key data

	Sector	Balfour Beatty Group
Women in the workforce – Ground Engineering (part of Major civil Engineering)	17%	27%
Women in the Workforce – US Construction	7%	23%
Women Managers – Investments	18%	26%*

* Balfour Beatty Capital

Awards

Local empowerment of the business has resulted in a wide range of external recognition for our commitment to diversity, including the 2011 Sam Jones' Award (Indianapolis Best of the Best Diversity Award), Corporation of the Year 2010 (The Conference of Minority Transportation Officials) and a range of "40 under 40" nominations for "senior professional women" in US Building, Design and Construction, and several awards from the Olympic Delivery Authority in the UK, including "Best Contribution to Diversity" in 2010.

On the sustainability agenda...

"Central to this agenda are activities to ensure that talent and ability both in the Group and outside is not going to waste and the Group plays an active role in ensuring that young people from all backgrounds have a chance to fulfill their potential."

Paul Raby, Group Human Resource Director

Quick fire childcare

Andy Joyner, HR Systems Director in the Group experienced at first-hand the practical ways in which the Group supports staff with childcare and eldercare responsibilities. When his daughter had to undergo an operation at hospital, Andy had to take time off at short notice to provide aftercare support. *"I really appreciate the way in which the Group made it possible for me to fulfill my parental responsibilities by taking time off at short notice. It was a great help at a potentially difficult time."*

Going swimmingly

Elizabeth Collins-Hooper is an Assistant Quality Surveyor in the Group and worked on the iconic Olympic Aquatics programme. She believes that the approach to teamwork and an inclusive culture on big projects is one of the best things about working for Balfour Beatty. *"The fact that I have never had to reflect on the Group's approach to inclusivity speaks volumes about the positive environment I am fortunate to work in. I have always felt like a valued member of the team. My contributions are appreciated and respected."*



**Janet Hargreaves,
Group Treasurer**

At the heart of the business, Janet Hargreaves is one of the most senior women in the organisation. She reports directly to Duncan Magrath, the Chief Financial Officer, and has direct responsibility for managing the Group's financial resources to maximise the return to the Group and support its day-to-day operations.

"The Group has given me a great career at a very senior level in the organisation where I work in close partnership with senior leaders across the business and externally on a daily basis. The visible commitment to our customers and the Group's values of Integrity, Teamwork, Excellence and Respect at all levels, makes Balfour Beatty an exciting place to develop a career."

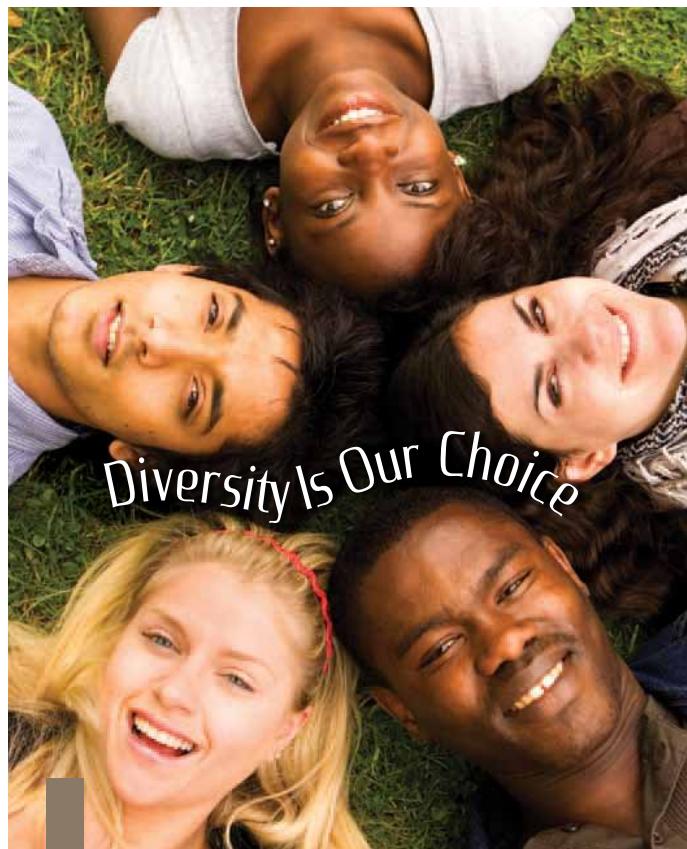
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Industry recognition

Parsons Brinckerhoff received an award late in 2011 for outstanding achievement in diversity. At the annual Conference of Minority Transportation Officials (COMTO) National Training Conference, the firm received the 2011 Corporate Citizen Award, recognising its collaborative and overall contributions to advancing minorities in the transportation industry.

Our plans for 2012

The external backdrop of increased regulation and a more competitive market for talent has resulted in a stronger business case for extending the commitment to diversity amongst most employers. The Group's plans for expansion, founded on our successful transition into new markets, makes a progressive approach to diversity management a key strategic priority for 2012. With this in mind the Group's Executive Committee met in the Autumn of 2011 to agree the next phase of our diversity journey including the appointment of a board level diversity champion, formal diversity reporting and targets for the Group, support for diversity networks and a more overt public profile for the work we do in this area. We will look to take this agenda forward in the next 12 months.



At Parsons Brinckerhoff, there is no one definition of diversity; it's a mindset about understanding and respecting differences. Ultimately, diversity means creating effective business strategies through inclusiveness and full workforce utilisation. The company operates in a wide variety of cultures, and our clients are increasingly diverse. These differences are a source of tremendous strength, and we're fostering a workforce that reflects and is respectful of local cultures and customs.

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Supporting Aboriginal communities in Australia

Indigenous issues in Australia have long been debated by governments and the public generally, and while there has been some progress, it is commonly recognised that not enough has been done to remove the barriers that contribute to higher mortality rates, lower education standards and disadvantages in most other areas compared to non-indigenous Australians.

Indigenous disadvantage is a result of many causes including political, social, cultural, economic and historical factors. However, within the last 10 years there has been recognition that these issues are not just a government concern but a much broader societal concern, with business recognising its role in contributing to a more equitable result for indigenous people through the development of Reconciliation Action Plans.

At Parsons Brinckerhoff, our vision for reconciliation is to contribute positively to closing the gap between the life expectancy of Aboriginal and Torres Strait Islander and non-Indigenous Australians.

Our approach has been threefold: to work with Indigenous communities through our work for clients such as our work in remote communities; to support other initiatives such as the Engineering Aid Indigenous Summer Schools; and to provide pathways to build on and improve these relationships.

We do this with the guidance of an Aboriginal and Torres Strait Islander Advisory Committee.



For more information go online:
balfourbeatty.com/sustainability



we help
to create
thriving local
communities

Supply chain

Our roadmap recognises the critical role of our supply chain in helping to deliver a sustainable Balfour Beatty. We continue to develop and share good practice on responsible procurement across our business and are working with suppliers to deliver innovative, more sustainable solutions.

Why this matters to us

Balfour Beatty's reputation is very much defined by the performance of our supply chain. The majority of our delivery is carried out by our supply chain partners, whether they be consultants, specialist contractors, or suppliers. Their involvement in our end-to-end process for delivering world-class infrastructure is therefore vital. Managing a supply chain in a professional and progressive manner allows Balfour Beatty to not only deliver huge economies of scale and tap into innovation, but also deliver on the commitments we have to bringing about real social and economic regeneration. Each one of our project teams actively looks to balance global, national, and local opportunities on a day-to-day basis by considering a diverse range of providers and options for each of our key procurements.

Our approach

Procurement at Balfour Beatty is split between operating companies where appropriate for local control and strategically at Group level to manage specific categories of supply chain spend. Many of our businesses hold regular "Meet the Buyer" days and supply chain conferences to communicate our Zero Harm and sustainability visions.

We use supplier assessment tools such as Exor and Achilles to review performance across a range of parameters, including safety, sustainability and ethics. During 2011, the majority of our operating companies had identified their key suppliers. Of these 3,500 key suppliers, 29% had been assessed to be in compliance with the respective operating company's sustainability requirements. These requirements will vary by company.

Active management of key categories

A growing number of our key categories of spend are actively managed through formal sourcing and category plans at Group level. Each of our Operating Companies comes together to share best practice and experiences in order to ensure all stakeholder needs are considered and value can be delivered along the whole supply chain. In 2011, Balfour Beatty spent £6bn globally, with over 30,000 providers. Within this, £1bn is actively managed through industry-leading category management approaches. This approach includes strong up-front identification of business and customer needs, and the creation of collaborative relationships with principal supply chain partners.

The categories identified for management at Group level were selected on the grounds of their cost saving potential to the Company and ease of implementation. At the outset, we have committed to examining opportunities to reduce risk in terms of safety, ethics and sustainability as these categories are established.



Solar powered traffic lights for active traffic management on road projects

Non-Operated Plant

In 2011 we introduced solar powered traffic lights from all three of our preferred Non-Operated Plant (NOP) framework providers. APlant also introduced consignment stock to reduce deliveries and carbon footprint. GAP introduced rainwater harvesting at all their depots, reducing mains water usage by 70%. Speedy introduced a more efficient commercial fleet which delivered a 13g/km CO₂ reduction and has automated route planning to further reduce transport related emissions.

balfourbeatty.com/sustainability

Healthy communities

Supply chain

Sustainable Procurement Group

During 2011, our Sustainable Procurement Group trained over 100 procurement professionals across our UK operating companies in responsible procurement, and set minimum standards against the DEFRA Flexible Framework. This framework provides a clear roadmap for world-class sustainable procurement. A network of over 100 key suppliers took part in an online profiling survey in order to gauge alignment with our Roadmap and unlock their innovations. At the heart of our sustainable procurement toolkit is a "heat map" which supports our procurement teams to identify sustainability risks and opportunities in everything we procure. A supply chain code of conduct was also issued during the year (see our [Ethics, values and compliance section](#)).

Examples of Sustainability Benefits From Active Management of Categories

Category under Group Management	UK Benefits
Waste	Consistent reporting of waste (skips). Help deliver our waste to landfill targets and in future, waste avoidance
Office supplies	Core list of products includes more sustainable options (many are cheaper than alternatives)
Personal Protective Equipment	Currently investigating end-of-life recycling options
Travel	WWF 1 in 5 challenge signatory to reduce travel related CO ₂ emissions by 20% over five years (aligning well with the development of our 2015 targets in our roadmap). Carbon calculator at point of booking and monthly CO ₂ reporting
Printers	De-fault black and white double sided copying saving paper, energy and ink
Utilities	Deal with npower for 75GW of electricity from renewable sources. We are exploring the green claims associated with this deal to determine if this will indeed contribute to a reduction of our carbon footprint.

Supplier Engagement – Meet the Buyer

Our Balfour Beatty Construction Northern teams held workshops with their supply chain subcontractors to get their feedback on sustainability and our approach. This included asking them for evidence of their sustainable innovations, mapping out their sustainability impacts, and generally raising the awareness of sustainability across these partners.



For more information go online:
balfourbeatty.com/sustainability

Awards

In 2011, Balfour Beatty was awarded "Most Improved Purchasing Organisation" at the Chartered Institute of Purchasing and Supply (CIPS) annual awards in September. This award recognises our procurement transformation programme which gathered pace in 2011.

Our plans for 2012

At operating company level, our businesses will complete sustainability assessments of their key suppliers and ensure their supply chains are aware of our 2020 vision and how they can contribute to its delivery.

At a strategic (Group) level, we will continue to increase the amount of spend we have under active management and ensure sustainability, safety and ethics is addressed and improvement plans developed for identified risks and opportunities. Governance arrangements will be strengthened to ensure an ongoing focus on safety, sustainability and ethics is maintained during the course of these Group agreements such as the fuel efficiency of operated plant to reduce our carbon emissions.

We will widen the coverage of our Sustainable Procurement Group to share best practice across our global operations and roll out a dedicated sustainable procurement course aimed at estimators, project managers and quantity surveyors, reinforcing the critical role they play in delivering the requirements of the roadmap.

Sustainable procurement will be a key feature of our new roadmap targets for 2015. Responsible sourcing requirements will be extended beyond our areas of direct spend on materials to include our subcontractors spend on these materials across our projects. Where no recognised responsible sourcing schemes exist (eg outside the UK), our operating companies will be required to develop their own approach to responsible procurement that reflects their supply chain sustainability risks and opportunities.

Supplier collaboration pays off

By switching to a bespoke double layer returnable pallet system for sanitary ware on its UK prison fit-out work, Balfour Beatty Engineering Services reduced cardboard and polythene packaging by 47%. This reduced packaging costs and waste disposal costs. A new Eco-pac packaging system has also been introduced. This flat pack collapsible plastic crate solution eliminates traditional cardboard boxes and reduces damage to fluorescent lighting – saving up to 2% of the contract value.



For more information go online:
balfourbeatty.com/sustainability

For more than 25 years, Parsons Brinckerhoff has worked with remote communities across Australia delivering essential services such as clean drinking water, housing and infrastructure, as well as developing skills in the community.

Parsons Brinckerhoff has just recently been awarded a three-year extension to the Remote Area Essential Services Programme (RAESP) contract for the Western Australia Department of Housing. RAESP consists of three elements:

- delivery of essential services including wastewater, power and potable water supply to 91 of the largest remote Aboriginal communities in Western Australia;
- technical advisory services which will be supplied on an as required basis; and
- capital works, which again occurs on an as required basis for the client.

Thomas Farren was one student who attended the Engineering Aid Indigenous Summer Schools.

"Throughout high school I was good at and enjoyed maths and science subjects. I was interested in how things worked and how they came to be. The 'Indigenous Australian Engineering Summer School' programme popped up at school, so I seized the opportunity and applied.

"After completion of the Summer School, I knew I definitely wanted to be an engineer and my initial thoughts were structural or maybe mechanical.

"I have now completed the first three years of my degree and now am in my final year. In the future, I plan to start working as a professional structural engineer. I'm really looking forward to when I start to work on projects, and I know that when they are complete I will feel a sense of accomplishment at physically seeing a structure, and knowing that I played a part in its creation."

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Delivering essential services in the community



Supporting The Prince's Trust

Through its support for The Prince's Trust, Balfour Beatty has helped thousands of young people improve their lives.

While academically bright, an incident at the age of 13 saw Warren Christian being shot at for being "in the wrong postcode". This was one of many near-death experiences he suffered while growing up in the East End of London.

His life deteriorated and he saw gangsters as role models; he carried a knife on a daily basis, even a firearm on occasion. After one of his friends was killed, Warren became depressed and increasingly aggressive.

Warren heard about The Prince's Trust Get into Construction course through a friend. Six months after applying for the course, Warren had succeeded over 1,000 applicants and was learning five trades while earning his CSCS card that allows him to work on construction sites.

After the course, Warren was given an apprenticeship as a carpenter in which he had a head start as he had experience since the age of 13 working with his two uncles on the weekends and holidays. Two years later he was promoted to trainee site manager, and three years after that he was managing the rendering and tiling works within the landmark Olympic and diving pool at the Aquatics Centre – an astonishing achievement.

Warren said: "Contacting The Prince's Trust was one of the best things I have ever done and helped me get my life back on track. I am really grateful to Balfour Beatty for their support and for giving me the opportunity to prove that I was born to do this and that persistence does pay off."

Naima Swaleh was born in a refugee tent in war-torn Somalia surrounded by violence, guns and looting. With the help of the UN, she arrived in the UK but life remained difficult.

Bullied throughout her school life, Naima began self-harming when she was just 11 years old. As a teenager Naima resorted to drink and drug taking, taking an overdose aged 16. After considering a second overdose, Naima decided things had to change and enrolled on her local Prince's Trust Team programme. She describes her time on the programme as "the best 12 weeks of my life".

Naima now has an NVQ Level One in Health and Social Care and is looking for employment in nursing or caring.

Naima said: "Without the generous support of Balfour Beatty, The Prince's Trust would not be able to change the lives of thousands of other young people in the UK who grow up, through no fault of their own, under tough circumstances. I for one am hugely appreciative!"



For more information go online:
balfourbeatty.com/sustainability

Community engagement and investment

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

Why this matters to us

Balfour Beatty's core purpose is to improve the everyday lives of people around the world by creating and caring for efficient, high quality civil and social facilities and amenities.

In parallel with making the physical fabric of our lives serve its purpose more effectively, the company believes that it should also play a role in improving the social fabric.

Balfour Beatty does this through its role as a major employer, its participation in and support of organisations and activities whose aim is to improve social cohesion and inclusion (often in partnership with its customer) and through donating cash and the energies of its employees to selected charitable causes.

Our approach

Our group approach

Balfour Beatty's decentralised structure and culture and the wide geographic spread of its activities acts against any centrally driven and managed programmes in these areas. Through the sustainability commitments of our operatives, the overall sustainability objectives of the business are achieved at a local level. Through aligning our vision with that of our customers there is a high degree of commitment to, and activity in, community investment across the Group.



Children in Emergencies Pilot Programme

Pune India, supported by Balfour Beatty

"School and family pressures, poor health, lack of opportunity, child marriage and human trafficking." These are just a few of the challenges which could face a young Dalit female who feels she is ignored by her community. Often, the effects of a major natural or man-made disaster – whether an earthquake, flood or extended conflict – simply make underlying social problems worse. For children, the effects can be particularly acute. A technique to assess individual need, known as "vulnerability mapping", is helping aid workers in India who were recently trained on a Balfour Beatty funded programme "Children in Emergencies", run by RedR UK and RedR India in collaboration with UNICEF, to better assess the needs of children affected by disasters. This means better support for the most vulnerable in times of crisis.

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Project H.O.M.E

Since 2009, Balfour Beatty has been a key partner to project H.O.M.E. in Philadelphia, where Balfour Beatty Communities has its headquarters. We fund a Maths programme for students from poor and disadvantaged backgrounds between kindergarten and 8th Grade at the Honickman Learning Centre in the midst of the poorest neighbourhoods of northern Philadelphia.

During 2011, three-quarters of the children in the programme showed substantial improvement in their Maths capability – a critical component in helping them gain access to higher education later in their lives.

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Healthy communities

Community engagement and investment

Corporate policy and programmes

Policy and theme

In recent years, our plc community and charity programmes have focused entirely on helping young people, particularly those suffering from some form of disadvantage, to raise their aspirations, achievement levels and quality of life.

These objectives have been expressed in a number of ways. Balfour Beatty has been lead sponsor and corporate partner to the London Youth Games since 2008. During that time participation levels in the multi-sport programme have more than tripled and the participation of young disabled people and of those from ethnic minorities has risen by a factor of five.

The Company has operated in partnership with The Prince's Trust for over five years in their Get Into Construction scheme to offer disadvantaged young people training and jobs in the infrastructure sector. In this period over 200 courses have been run and some 3,000 young people have been given the basic skills to take up training or jobs in the industry.

In late 2008, the Company formed its own charitable trust, "Building Better Futures", through which it has donated over £1.5m to young people's charities over the last three years. Among the causes supported in this time has been the installation of specialist play equipment in homes for disabled children; grants for tools,

clothes and equipment to help young people find work; cash awards for groups of young people with good ideas to help the workings of their local community, practical help for 18-year-olds leaving long-term institutional care and support for adoption services for "hard-to-place" children in need of a new family.

2011 Review

A major review of our Group-wide policies and practices was carried out and a new structure for corporate policy and purpose has been developed to take account of the Group's increasing size and geographical spread and to fulfil our desire to align our community programmes more closely with key social issues and our core business activities.

Our plans for 2012

Following our strategic review in 2011 we will launch Balfour Beatty Building Better Futures in 2012. This will integrate common themes across the business in terms of:

- employability and employment of young people
- helping the most disadvantaged young people in society
- health, sport and wellbeing.

We will also be focusing on building a volunteering culture and we will be conducting a Group-wide review to help us achieve this.



Balfour Beatty has built a long-term partnership with Action for Children and provides funding and volunteering support to young carers, enabling them to take well-earned breaks from the enormous day-to-day responsibilities they face in caring for relatives at home. We also support the care leavers programme which provides practical support in helping young people through a very difficult phase in their lives, when they move away from home into their own independent accommodation.

During 2011, 97 trips were organised for young carers, with over 2,000 children and young people participating and, in the year, 140 care leavers were provided with essential tools to help them move successfully into independent living.

Young Carers visit Thorpe Park

Forty-eight young carers, aged between 11–18 years went to Thorpe Park accompanied by five workers. They all had a brilliant day, all getting to go on their favourite rides. It was an absolutely amazing day, young people having a great time away from their caring responsibilities. Sarah Norris, Support Worker

Care Leavers

Hannah had adequately furnished her flat, unfortunately, due to severe weather conditions, in January 2011 while in hospital, burst pipes ruined her bedroom, bedding, bed, carpet and wardrobe. Hannah's operation was successful, however her donated divan has made sleeping painful. With Balfour Beatty's support she has bought a new bed, supporting her health, mental health and emotional wellbeing.

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Balfour Beatty part funds the services provided by Coram, the UK's most successful charity adoption service. Coram consistently has an almost perfect success rate in finding permanent, loving homes for children who prove to be particularly hard to place. Critical to the programme's success is the emphasis on post-adoption support and care, ensuring families have what they need to help their families thrive.

Case Study

Tyler was born in the Midlands. His mother has been diagnosed with severe mental health problems and was a vulnerable woman – she had formed violent relationships with men and had problems with drink and drugs.

After being taken in to care, Coram found Tyler some adoptive parents to give him a stable loving home. He is making excellent progress, and is a happy and responsive child.

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Environmental limits

We care about the natural world. To deliver sustainable development, we have to make better use of the planet's finite resources. By taking a lead on environmental issues from carbon to ecology, we can cut our costs and demonstrate our capabilities to help our customers reduce their own impacts.

61 Energy, carbon and climate change

66 Waste

69 Materials

71 Water

73 Ecology

74 Environmental compliance



For more information go online:
balfourbeatty.com/sustainability

Highlights

45%

Reduction in waste disposed to landfill in 2011 (vs. 2010 baseline year)

17%

reduction in water use in 2011 (vs. 2010 baseline)

34%

by value of UK major construction materials were responsibly sourced

8m

tonnes of waste diverted from landfill from four major highways schemes in the UK



"Balfour Beatty, in operating across the infrastructure lifecycle, is well placed to respond to the challenges of climate change on behalf of its customers."

Kathryn Vowles, Strategic Consulting, Parsons Brinckerhoff.

Our climate change adaptation framework

Balfour Beatty is a long-term business. We design, construct and care for infrastructure over 20, and in some cases, up to 50 years or more. Responding to the risks and opportunities of a changing climate has been built into our roadmap. Knowledge of how to undertake adaptation assessment is still evolving in our sector.

We commissioned adaptation experts from our professional services business, Parsons Brinckerhoff to develop a common framework for use across Balfour Beatty. This framework provides a systematic approach to embedding climate change adaptation within decision making at a Group, Division, operating company, customer framework, programme or project level for the first time. It is aligned to our existing risk management framework and includes a number of supporting tools linked to the UK's climate impacts programme.



For more information go online:
balfourbeatty.com/sustainability

**creating
infrastructure
that is resilient
to a changing
climate**

Energy, carbon and climate change

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

Why this matters to us

Energy use and carbon emissions are high on the agenda of governments, regulators and a growing number of our customers, as the world looks for ways to address climate change and diminishing fossil fuel supplies. The built environment is the single largest source of global emissions of greenhouse gases.



For more information on Global issues go to [P14 – P15](#)

Legislation and policy frameworks such as zero carbon buildings standards will further drive demand for low-carbon infrastructure. Reducing carbon emissions is good for cutting energy costs as well as reducing our environmental impacts.

It is now widely acknowledged that even when significant reductions in carbon emissions are made, some climate change impacts are unavoidable due to the level of greenhouses gases already in the atmosphere. With infrastructure design lifetimes of between 20 and 100 years, we need to start thinking about climate change today when designing and constructing customers' future assets.

Our approach

Our approach is based on measuring, understanding and reducing our own greenhouse gas emissions, including the indirect impacts of the materials used on our projects. We have further developed our understanding of the embodied impacts associated with our building projects, extending the work on civil engineering schemes reported last year.

We also see major growth opportunities across our businesses in providing the clean energy infrastructure of the future and helping our customers reduce their own emissions through the way we design, build and maintain their infrastructure assets ([see our Growing our business in the green economy section](#)).

Measurement

We measure and report our emissions of greenhouse gases in line with the 2011 guidance produced by Department of Environment Food and Rural Affairs (DEFRA)/Department of Energy and Climate Change (DECC) and the internationally recognised GHG Protocol:

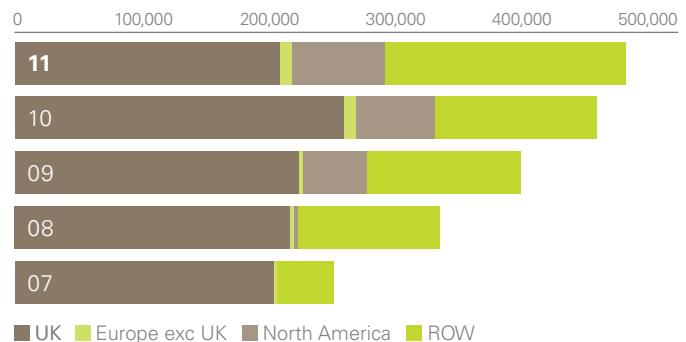
- Direct emissions (termed Scope 1) from our buildings and vehicles
- Indirect emissions from electricity use (Scope 2)
- Limited indirect emissions (Scope 3) from employee business travel using non-company owned vehicles as well as flights.

www.ghgprotocol.org

Reducing our carbon emissions

Our carbon emissions from vehicles, plant and buildings were 482,900 tonnes CO₂e in absolute terms in 2011 (2010 baseline: 460,000 tonnes restated). The principal cause of this increase is the growth of our Gammon Construction business in Hong Kong who are predominantly working on many major infrastructure schemes including energy-intensive tunnelling projects. This increase was partly offset by a decrease in carbon emissions in our UK businesses.

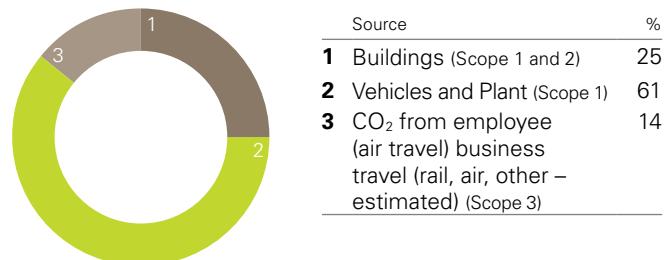
Global Absolute Tonnes Equivalent CO₂e (excluding air travel)



Detailed breakdown of data is provided in the data tables in this report ([see our Data tables section](#)).

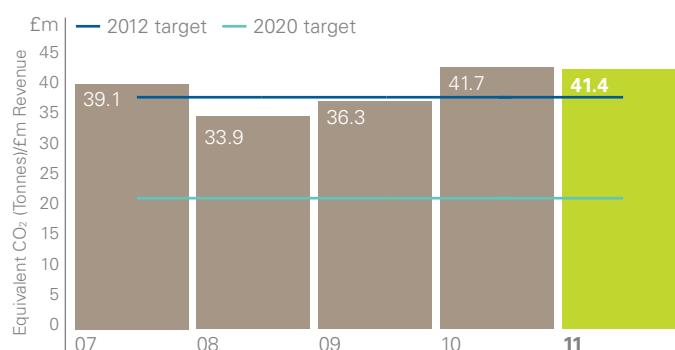
A further 78,000 tonnes CO₂e is attributable to employee business travel (air, train and road), although this data is only reported by two-thirds of our operating companies. Our own carbon footprint is dominated by emissions from mobile plant and company vehicles.

Global total tonnes CO₂e by source in 2011



In 2011, our carbon emissions from vehicles, plant and buildings, relative to revenue were 41.4 tonnes CO₂e, a slight decrease on our 2010 baseline figure (41.7 tonnes CO₂e restated). Achieving our 10% energy reduction target by 2012 will be challenging given the growth of energy-intensive construction projects in Hong Kong, which has offset the progress made by our UK businesses.

Global Equivalent CO₂e per £m Revenue (excluding air travel)



Environmental limits

Energy, carbon and climate change

Our operating companies continue to implement opportunities to reduce their carbon footprint. During 2011, electric car charging points were introduced by Balfour Beatty Engineering Services. Balfour Beatty WorkSmart is also trialling electric vehicles funded by the Technology Strategy Board in the UK. Balfour Beatty Major Civil Engineering and Balfour Beatty Workplace both introduced software to automatically switch off computers and monitors at the end of the working day, saving a combined 360,000kWhs of electricity and up to £40,000 in energy costs.

Scope 3 carbon – extending our knowledge to buildings

Our roadmap commits our operating companies to understand their Scope 3 impacts and to identify the most significant Scope 3 emissions for targeted reductions.

We know that our carbon footprint from our Scope 1 and 2 emissions is comparatively small compared to the whole-life impact of infrastructure – including the energy embodied in the materials used in their construction (termed Scope 3). Our understanding of scope 3 emissions is well developed for our civil engineering schemes (see last year's report).

During 2011 we directed our attention to the more complex area of buildings with many different elements and construction materials. We used the Environment Agency's carbon calculator to examine several buildings types in the UK including Blackfriars station and Kelvin Hall School ([see our Influencing for sustainability section](#)).

Emissions from the Blackfriars station are dominated by the embodied energy in steel, followed by site accommodation. The top three emissions sources for Kelvin Hall School in Hull were again metals, then concrete, followed by plastics.

These studies also confirmed our earlier findings that personal travel, material deliveries and waste account for less than 5% of emissions.

CO₂e emissions for Kelvin Hall High School

	%
1 Metals	29
2 Concrete, mortars, cement	21
3 Plastics	13
4 Miscellaneous	9
5 Quarried material	9
6 Personnel travel	7
7 Plant emissions	5
8 Timber	5
9 Material transport	1
10 Portable site accommodation	1
11 Waste removal	0

Breakdown of Carbon Emissions: Blackfriars Redevelopment Project

	%
1 Metals	53
2 Site emissions	28
3 Concrete, mortars, cement	11
4 Personnel travel	3
5 Timber	3
6 Material transport	1
7 Quarried material	1
8 Miscellaneous	0



Reducing Fleet Emissions

Balfour Beatty Workplace has introduced a 140 g/km CO₂ limit on its company car fleet and 170 g/km CO₂ for Multi-Person Vehicles (MPVs). It is estimated that this will save over 500 tonnes of CO₂e emissions per annum. A new mobile driver simulator has also been developed to help train drivers in safer and more fuel efficient driving techniques.

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Carbon disclosure project

Balfour Beatty was one of 1,800 suppliers that also shared their carbon disclosure project data with customers to help them understand the carbon impacts of their supply chains. We scored 78% in 2011 (2010: 60%), compared to a survey average of 51% (2010: 48%). Our performance was upper-quartile against our engineering and construction sector peers with a spread from 31% to 83%.

Carbon reduction commitment

Balfour Beatty submitted its footprint and annual report in September 2011 as required by the UK's Carbon Reduction Commitment Energy Efficiency Scheme. We were positioned mid-table (1,199 out of 2,103 participants) in the performance league table.

"The introduction of 100% electric Kangoo vans, Smart pool cars and a driver simulator sends the message to our employees that we are serious about sustainability."

Steve Farmer, Managing Director,
Balfour Beatty Plant and Fleet Services

Achieving green building certification

A minimum expectation of our roadmap is for new offices in our estate and under our control to achieve a recognised green building certification. Our new Customer Service Centre (CSC) established in Newcastle in the UK achieved BREEAM Excellent and Balfour Beatty Construction's new offices in Fairfax, Virginia, USA achieved LEED Gold.

Whole-life Carbon

The Environment Agency's carbon footprinting tool does not quantify emissions over the operational phase of a building, nor does it quantify embodied energy from mechanical and electrical systems. Parsons Brinckerhoff developed a tool based on existing thermal modelling software and bill of quantities data to help fill these gaps and generate the carbon footprint over the 50-year design life of our Snowhill2 project currently under construction in Birmingham, UK.

79% of the impacts occurred over the operational life of the building, of which over 50% was attributable to lighting. The remaining 21% was based on materials, principally concrete and steel but surprisingly 4% of the total footprint was attributable to replacing flooring elements over the building's lifetime. This study illustrates the benefits of conducting carbon assessments early so that design changes can be made to lighting, concrete mixes and flooring choices.



LEED GOLD

In constructing our new LEED Gold offices in Fairfax, Virginia USA, we recycled 98% of the construction waste, used FSC certified timber and installed Greenguard certified furniture and Green Label carpet.

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Sustainability Awards

During the launch of our 2020 vision film, we recognised the contributions made by Mark Mageean of Balfour Beatty Capital for his "A-rated" low energy re-fit of the M1/A1 project office. He introduced more efficient lighting, sun tubes to maximise natural light, and an energy efficient boiler and appliances. The sun pipes were so effective that they have been retrofitted across the entire office.

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Environmental limits

Energy, carbon and climate change

Avoiding 77,000 tonnes of Scope 3 emissions on A421

In our 2009 sustainability report, we introduced the innovative use of alternative materials on this road scheme such as car tyres, power station ash and recycled aggregates. Post-completion, we evaluated the embodied carbon savings achieved through using these recycled materials. 77,000 tonnes CO₂e was avoided – the equivalent of 17% of Balfour Beatty's entire global Scope 1 and 2 emissions in 2010!

Newcastle team take the metro

Travel is a common area on which to engage our employees on sustainability. Our team working on the INTO Newcastle Student Accommodation project, opted for the metro as the best way of commuting to the site. Travel passes were purchased for the entire team who now use the Park & Ride system from outside the city. The costs of the travel passes were recouped within the first month of the project and over 6 tonnes CO₂e were avoided. This will rise to 15 tonnes CO₂e by the end of the project.

Awards

Balfour Beatty Capital in Manchester, received a gold green apple award for its achievements in minimising its UK business travel.

Our plans for 2012

We will refocus our efforts to deliver our interim goal of a 10% reduction in our greenhouse gas emissions by the end of 2012 on our path towards a 50% reduction by 2020 against a 2010 baseline.

In support of these and other climate related targets we will:

- Develop a practical energy reduction guide for our own estate
- Explore how we can best capitalise on the capabilities of Power Efficiency to reduce our energy use
- Focus our procurement teams on operational plant specifications, purchasing clean energy and vehicle emissions policies
- Ensure energy is a key focus area of our KPMG assurance programme
- Provide training on using our new climate change adaptation framework
- Develop new 2015 goals for carbon emissions – extending our measurement and reduction programme to cover Scope 3 emissions across all our businesses as a minimum expectation.



WorkSmart

"The electric vehicles have given us an excellent opportunity to reduce our carbon emissions as part of our 2020 vision for sustainability while allowing our staff to try out what will be the future of motoring."

Andy Smith, Supply Chain Director
Balfour Beatty WorkSmart

Our team at our Newcastle Customer Service Centre in the UK have been trialling electric vehicles. Three employees have been using the vehicles as part of Balfour Beatty WorkSmart's commitment to reducing its carbon footprint as part of the Group sustainability roadmap.

So far the trial has been a success and the team are looking at making the electric vehicles a permanent addition to their fleet.

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In 2011 Balfour Beatty added a group of Smart cars to its pool fleet as a demonstration of the Company's commitment to reducing its CO₂ footprint.

The Fortwo Passion CDI Coupes were chosen after a search for an economical and environmentally friendly solution to staff business travel. The vehicles can achieve 86g/km CO₂ and combined cycle fuel economy of 85.6mpg. In addition, the Smart cars further reduce costs by being exempt from the UK's annual road licence charge and the London Congestion Charge.

Balfour Beatty Plant & Fleet's car list is put together to ensure vehicles have superior safety ratings and the lowest emissions possible. Year-on-year we improve the range of sustainable vehicles available. On the UK launch in October 2011 we secured over a third of the fleet of 100% electric Kangoo vans from Renault.



For more information go online:
balfourbeatty.com/sustainability



**we work hard
to reduce our
greenhouse gas
emissions**

Waste

We are on track to halve the waste we send to landfill by 2012, against a 2010 baseline. Our ultimate goal is to divert all our project waste from landfill by 2020.

Why this matters to us

Waste is a significant issue for us. Constructing, refurbishing and demolishing all forms of infrastructure generates large quantities of waste. Waste disposal costs continue to rise, driven by national policies such as the UK's landfill tax. Reducing waste can differentiate us in the marketplace, helping us to deliver lower cost projects and meet customers' desire for lower environmental impacts.

We are signatory to WRAP's commitment to halve the amount of construction and demolition waste going to landfill by 2012. www.wrap.org.uk

Our approach

We measure and report our waste in two categories:

- Disposed to landfill, and
- Diverted from landfill through a combination of reuse, recycling and recovery including energy recovery.

Within both categories we further breakdown waste by its source: construction, demolition, excavation, office, manufacturing and depots.

Our businesses continue to seek opportunities to reduce, reuse, recycle and recover waste and to use recycled materials where possible.



For more information on the way we use alternative materials go to [P69](#)



Reusing waste materials in Sweden

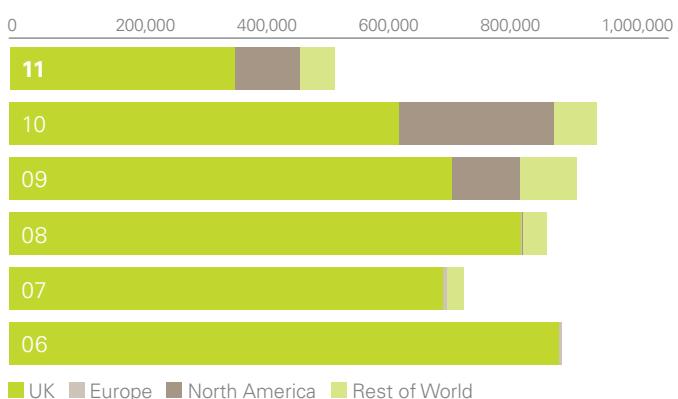
During the construction of new rail infrastructure in Kalix, northern Sweden, Balfour Beatty established a waste sorting and processing machine for the 1,000m³ of excavation spoil generated by the project. The spoil was sorted into three grades of material and reused in the works, saving material costs, avoiding sending waste to landfill and minimising haulage emissions.

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Reducing our waste to landfill

We disposed of 514,215 tonnes of waste by this route in 2011 (2010: 909,500 tonnes restated), a reduction of 45% in absolute terms through a combination of improved data quality (particularly by our UK regional civil engineering business) and our waste reduction programme. We include all waste types (hazardous, non-hazardous and inert) in these data according to protocols defined by WRAP www.wrap.org.uk.

Total absolute weight global waste disposed to landfill (tonnes)



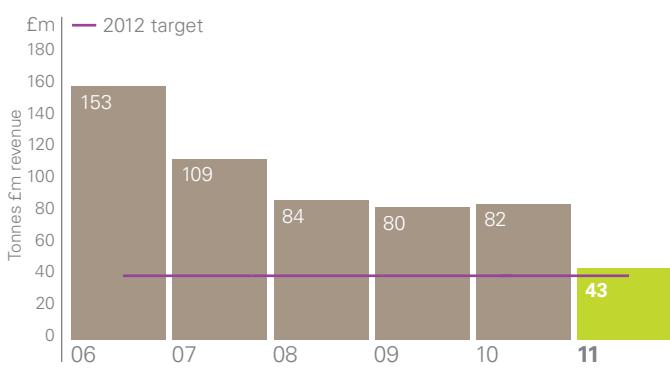
Detailed breakdown of data is provided in the data tables in this report ([see our Data tables section](#)).

When normalised against revenue, our global operations disposed of 43 tonnes waste to landfill/£m revenue in 2011 (2010: 82 restated), a reduction of 48%.

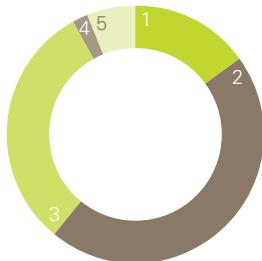
Our global operations recycled and recovered 4.31m tonnes of waste in 2011 (2010: 3.29m tonnes restated). Of the waste we generated in 2011, 90% was diverted from landfill through recycling, recovery (including energy recovery) or reuse (2010: 81% restated).

Our project waste is most suitable for recycling and only small proportions of waste are incinerated (with or without energy recovery).

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

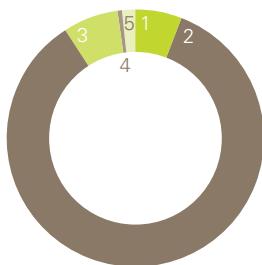


Waste disposed to landfill 2011 (by category)



Waste Category/ Source	Disposed to Landfill (Tonnes)
1 Demolition	79,025
2 Excavation	231,216
3 Construction	156,449
4 Office	6,573
5 Manufacturing/ depot	30,952
Total weight of waste disposed to landfill	504,215

Waste diverted from landfill through reuse, recovery and reuse 2011



Waste Category/ Source	Disposed to Landfill (Tonnes)
1 Demolition	248,306
2 Excavation	3,692,481
3 Construction	298,573
4 Office	23,367
5 Manufacturing/ depot	45,276
Total weight of waste disposed from landfill	4,308,004

Demolition, excavation and construction waste are the most significant sources of waste across the Group, 90% of which is directed from landfill through beneficial reuse, recycling or other recovery operation.

Minimising waste by using recycled materials

To drive reuse of waste we have also set a target of at least 25% of our major materials coming from recycled sources by 2012, where we specify the material. Major materials include concrete, aggregates, steel, aluminium and copper used in our construction, civil engineering and rail projects.

Region	Overall spend (£)	Spend on recycled content (£)	% Total recycled content of all materials excluding timber
UK	183,123,269	23,678,400	13
Europe	105,383,969	1,595,191	2
North America	18,222,834	–	–
ROW	306,304,910	2,523,778	1
Total	613,034,982	39,859,677	7

During 2011 we estimate that worldwide 7% of major materials came from recycled sources (see our Materials section). This figure rises to 13% for our UK operations. Collecting this data consistently and accurately across our business has been challenging.

Our standard concrete mixes for piling in the UK contains 25% power station ash as a cement replacement, which produces concrete with 18% less CO₂e per m³.

Advising our customers on waste

Waste is also an important issue for our customers. For example, on St Lucia, there is limited waste recycling infrastructure for municipal waste and landfill sites on the island will be full in 10–15 years' time. Parsons Brinckerhoff were commissioned to develop a solution – which was an energy-from-waste plant.

Vandenberg Waste Programme, USA

Balfour Beatty Communities is saving over US\$20,000 per annum in reduced hazardous waste disposal costs at Vandenberg Air Force Base in California. A self-help store was set up where residents are able to drop off and pick up used items such as household cleaners, paints and automotive products that would otherwise be discarded. Separate recycling programmes for wastes such as carpet, fluorescent tubes and oils complete the waste management package on the base.

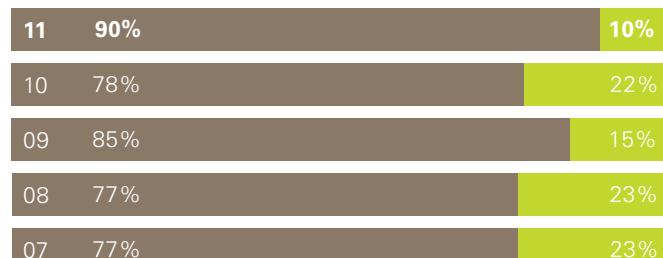
Balfour Beatty takes the bit between their teeth when it comes to recycling

Balfour Beatty Ground Engineering uses tungsten carbide tipped teeth in digging tools for its piling processes. Over a 12-month period, 5,000 teeth were purchased at a total cost £150,000. Residual tungsten carbide is now removed from the tooth body and segregated for high value recycling for this sought-after material.

Closed loop systems for plastics waste, UK

Balfour Beatty Utility Solutions has developed a closed loop process for recycling waste plastic from its sites into cable protection covers used during its utility maintenance work. An estimated 200 tonnes of waste plastic is diverted from landfill each year through this approach.

Global waste avoided from landfill v. waste sent to landfill



■ Waste disposed to landfill ■ Waste avoided from landfill

Awards

Balfour Beatty Engineering Services in Sri Lanka won the bronze medal for Total Waste Management at the Geo Responsibility Awards in 2011.

Our plans for 2012

We will continue to focus on our targets of halving the disposal of waste to landfill per £m revenue by 2012 against a 2010 baseline of 82 tonnes/£m revenue. Our operating companies will continue to work on improving the quality of their data and practices to achieve a minimum of 25% recycled content of major materials (by value), also by 2012.

Our ultimate goal is zero waste to landfill across all our operations by 2020 and embedding zero waste thinking into all that we do. In developing the 2015 targets for our sustainability roadmap, we will examine additional waste targets that go beyond landfill reduction to waste elimination.

Sustainable materials management reduces waste and costs

Balfour Beatty has diverted nearly eight million tonnes of waste material that would otherwise have gone to landfill and reused it on four major schemes for the Highways Agency, namely the M25, A46 Newark, A3 Hindhead Tunnel and A421, saving £50m in the process.

Recycling hubs reprocess demolition materials and together with by-products from other industries such as power station ash, turning them into new construction and fill materials. Excavation spoil is redeployed for landscaping, improving agricultural land and reducing traffic noise for local communities. These actions saved 77,000 tonnes CO₂e on the A421 project alone.

"Through our in-house materials team we are able to deliver innovative waste management solutions that cut costs and reduce our impact on the planet."

John Ferguson, Chief Materials Engineer, Balfour Beatty Major Civil Engineering



For more information go online:
balfourbeatty.com/sustainability



**we work hard to
re-think the way we
use materials and avoid
generating waste**

Materials

Sustainable materials management reduces costs as well as environmental impacts. Globally, 65% of the timber we procure directly, comes from recognised responsible sources. Our UK operations have achieved our 2012 responsible sourcing target with 34% of our other major materials such as concrete, aggregates and steel sourced from such schemes.

Why this matters to us

The construction industry consumes some 30% of the earth's resources. Growing demand could adversely affect the future availability and cost of natural materials.

Our customers increasingly expect their infrastructure to be built and maintained using materials with minimal environmental impact over the lifecycle and to have been responsibly sourced. At a policy level, the UK has set a target of 25% of construction materials to come from responsible sourcing schemes by 2012. The UK Contractors' Group is also developing an industry-wide initiative to use only responsible sourced timber.

Being a leader in the responsible sourcing of materials helps differentiate our business in the marketplace and delivers lower cost projects by selecting recycled and alternative products in preference to primary materials.

Our approach

We continue to procure timber from recognised sustainable sources, verifying the chain of custody of such materials through the supply chain. This includes timber certified by the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forestry Certification (PEFC).

For the first time in 2010, we extended our data collection systems to track the sourcing of other major construction materials such as aggregates, concrete, steel and non-ferrous metals. Responsible sourcing schemes are now available for aggregates, pre-cast concrete and steel products in the UK. These include:

- BES 6001: 2008 framework is the main standard in the UK for the responsible sourcing of construction materials
- BS8902 responsible sourcing sector certification schemes for construction products
- Steel Construction Sustainability Charter – Gold Standard
- Eco-reinforcement (steel).



More durable concrete for Dymchurch Sea defences

One of the qualities we look for in our projects under our 2020 vision is durability. Birse Coastal had to deliver high quality and durable sea defences to enhance the amenity value of sea frontage as part of the Environment Agency's "Creating a Better Place" strategy. The solution? Pre-cast concrete sections, manufactured offsite to minimise direct impacts

on the beach were used and vacuum lifted into position. These sections did not require structural bar reinforcement, thereby negating the risk of corrosion and deterioration in the beach saline environment.

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Environmental limits

Materials

These schemes take into account legal requirements, employment, safety, labour rights, community and environmental impacts.

Engaging our supply chain to align their thinking with ours on the responsible sourcing of materials will be a key element in delivering a more sustainable Balfour Beatty. To stimulate demand for recycled materials, we need to specify and use our influence to procure materials with a high recycled content. We have good examples of this practice to draw from and use across all our projects.



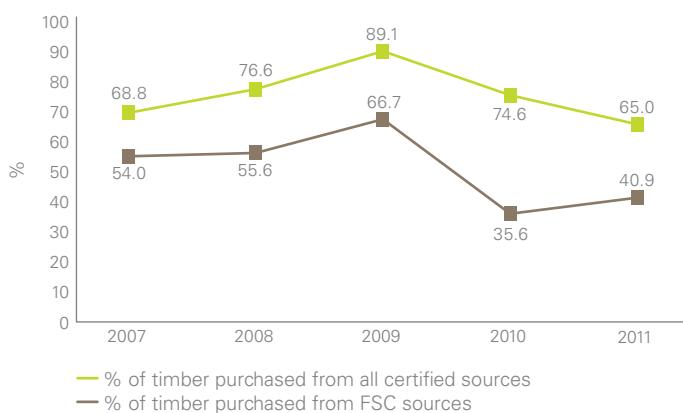
For more information on our supply chain go to [P53 – P55](#)

Responsible sourced timber

In 2011, 65% of timber spend by value from our operating companies came from a certified managed source (2007: 69%). Of that total, 41% was purchased from a purely FSC-certified source (2007: 54%). Some of our businesses were unable to prove their timber came from sustainable sources and hence have not been recorded as from a certified managed source in this year's report. Our construction business in the USA does not use certified timber due to the significant price premium on this material which would make it uncompetitive in the military housing market.

Gammon Construction in Hong Kong, Balfour Beatty Construction Scottish and Southern and all of our civil engineering projects in the UK achieved 100% procurement of responsibly sourced timber.

Global % timber spend



Other major construction materials

We estimate that 34% of the major materials (excluding timber) that we directly procured in the UK in 2011 came from recognised responsible sources (2010: 19%), beating the target set of 25% by 2012. However, as such schemes are not readily available outside of the UK at the current time, we will review our progress against this target on a global basis next year.

In giving evidence to the UK Government's select committee on the Natural Environment White Paper last year, we recommended that action be taken to influence the development of globally applicable responsible sourcing schemes that go beyond timber.

Our plans for 2012

We will continue to improve the quality, scope of reporting and procurement of responsibly sourced materials over the coming year. Our 2012 targets include:

- Continuing to procure at least 25% (by value) of major materials from recognised, responsible sourcing schemes where such schemes exist
- Procuring 100% of timber/timber products from recognised, responsible sourcing schemes
- We will also extend our responsible sourcing programme to cover materials procured by our subcontractors and suppliers as part of the development of our 2015 targets in our roadmap.

UK procurement of responsible sourced major materials 2011

Concrete (Ready mixed and pre-cast) (£)	Steel (£)	Non Ferrous Metals (£)	Aggregates (£)	Total spend on responsibly sourced materials (other than timber) (£)	% Spend on materials from responsible sourcing schemes (other than timber)
36,100,725	9,064,962	0	17,893,538	63,059,225	34

Water

Almost half the world's population will be living in areas of water scarcity by 2030, creating growth opportunities for the provision of water related services. We are improving our own understanding of our water impacts through our new water footprinting tools and reduced our own use of water by 18% in 2011 against our 2010 baseline, exceeding our 10% reduction target a year early.

Why this matters to us

The Organisation for Economic Co-operation and Development (OECD) forecasts that 47% of the world's population will be living in areas of water stress or scarcity by 2030.

At present, water does not represent a significant operating cost to infrastructure companies but efforts to conserve this precious resource and respect the natural world are important to Balfour Beatty. We believe that the importance of water will only continue to grow.

Saving water for our customers makes good business sense. We see growth opportunities from integrated service offerings in areas such as desalination technologies, improving the efficiency of water distribution systems and building new and upgraded water treatment infrastructure.

Our approach

Water use, while closely linked to climate change, needs to be addressed in a very different manner. Water needs to be managed at a local or river basin level rather than globally. We measure direct use of water from:

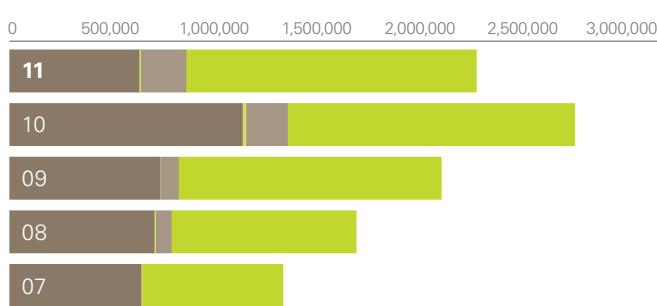
- Our own estate (offices, industrial sites such as factories and depots)
- Project sites (both mains and abstracted).

Our focus has been to reduce water usage in our premises (eg water efficient fittings and appliances and staff awareness campaigns) and on construction sites (eg capturing rainwater for vehicle/plant cleaning, concrete batching and dust suppression). Our site accommodation cabins can also be supplied with rainwater harvesting systems.

We seek to provide new buildings with water saving technologies such as grey water recycling and use of rainwater harvesting techniques (eg our Wounded Warriors' barracks project at Camp Pendleton in California will use 40% less potable water than a typical building).

In 2011, we reduced our global consumption of water by 17% to 2,271,000 m³ (2,751,000 m³ in 2010 restated).

Global absolute water consumption (m³)

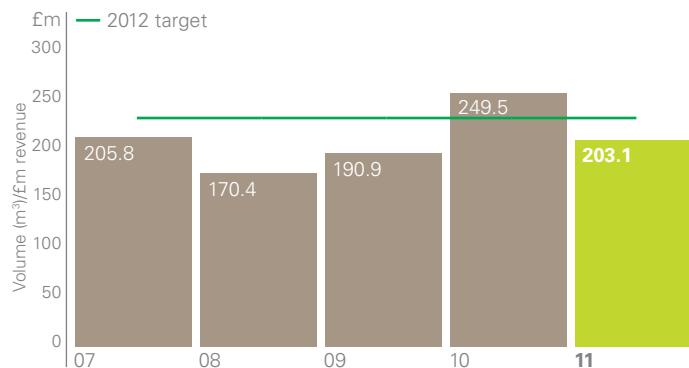


■ UK ■ Europe ■ North America ■ ROW

Detailed breakdown of data is provided in the data tables in this report ([see our Data tables section](#)).

In 2011, our use of water was 203 m³ per £m revenue (2010: 250 m³), a reduction of 18% against our baseline and achieving our target of a 10% reduction for 2012 a year early. This reduction has been achieved through a combination of reductions and better monitoring by our UK-based businesses, the sale of our UK trackwork business and the completion of our Aquatics Centre project, which used a significant amount of water in 2010.

Global relative water consumption 2007–2011 (m³/£m revenue)



Toward clean water in Iraq

High salinity levels in existing water supplies and poorly maintained water infrastructure is a key issue in Iraq. Parsons Brinckerhoff has been appointed by UNICEF to review existing Reverse Osmosis (RO) systems used to remove dissolved salts from drinking water supplies and provide recommendations for the upgrade and delivery of RO systems across the country.

Water footprinting at Heathrow T2B

Parsons Brinckerhoff have developed a set of water footprinting tools that we believe to be the first in the construction sector. These tools track our direct water use from our offices and project sites, together with the embodied water in the materials we use in our construction projects. These tools assess the relative impact of water used on a project as a combination of volume multiplied by water stress. A third tool assesses the impacts of construction products from specific manufacturers.

We applied these tools on our project at Heathrow and identified steel as the main material with significant water impacts.

Our plans for 2012

We will continue our efforts to reduce our use of water and establish a new reduction target for 2015 against our 2010 baseline during the revision of our sustainability roadmap.

We will continue to improve our understanding of our indirect water impacts by applying our new water footprint tools to our projects.

Balfour Beatty will also continue to play its part in encouraging the wider industry to adopt water conservation measures during construction and share our water footprinting knowledge with key stakeholders ([see our Influencing for sustainability section](#)).

A58 Blackbrook Diversion

Our sensitive approach to the A58 Blackbrook Diversion project in the north of England has acted as a catalyst for ecological improvement. The single-carriageway bypass, conceived for entirely environmental reasons, has removed 20,000 daily vehicle movements from the densely populated community.

During the project lifecycle:

- new habitats have been created for water voles
- a biodiversity corridor has been created
- bat habitat surveys have been undertaken
- sustainable Urban Drainage System ponds have been created supporting a variety of species including Central Africa Reed Warbler, rare dragonfly and water beetles
- grassland biodiversity has been enhanced encouraging an abundance of butterfly, grasshopper, Skylark, Meadow Pipit, Kestrel, Sparrowhawk and Buzzard
- sustainable and recycled materials have been used extensively.

As part of the long-term strategy for the site, harvesting of local coppice in late 2011 provided fuel for nearby Shotton Paper Mill.

The entire area of the A58 Blackbrook Diversion is now managed as part of the Stanley Bank Environmental Framework, ensuring the continued development of ecology.

We won the 2011 CEEQUAL ecology and biodiversity outstanding achievement award for our work on this scheme.

"This project epitomised what CEEQUAL is all about – pushing best practice, whatever the job. The project team did much more than they could have been expected to and delivered what we heard called 'pinnacle best practice'."

Jean Venables, former President of the Institution of Civil Engineers, UK



For more information go online:
balfourbeatty.com/sustainability



**we seek to protect
and enhance
ecological resources**

Ecology

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

Why this matters to us

Infrastructure can have a significant impact on the natural environment and some of our operations work alongside sensitive ecological areas. Maintaining a rich diversity of species and habitats is increasingly important to our customers and the communities affected by our work. We believe that ecology will grow in importance in the future.

Through our operations we have the opportunity not only to reduce our impacts on ecological resources but to enhance these resources through better design, development and management of our projects. We believe that delivering projects with a net ecological gain will help differentiate Balfour Beatty in the marketplace.

Our approach

As ecological issues vary from location to location, each operating company plans local measures for ecological protection and enhancement project by project. These approaches include:

- ecological surveys before site work starts
- identifying periods of the year to avoid disturbing protected species and habitats
- translocating protected species
- building in protection measures and visually less intrusive structures
- creating new or enhanced habitats
- undertaking post-completion monitoring to assess the effectiveness of the measures implemented.

During 2011, our businesses reported that 260 sites had delivered a net ecological gain (2010: 143). Further work is required to develop a robust measure of ecological enhancement that we can use to track progress in this area.

We also believe, that infrastructure businesses can make a positive contribution to ecology given the right signals from customers. Balfour Beatty provided evidence to the UK Government's consultation on its Natural Environment White Paper promoting a procurement-led approach as a way of encouraging innovation in delivering ecological enhancement on infrastructure projects.

A3 Hindhead tunnel (see front cover image)

Our work on the A3 Hindhead tunnel in the UK has reunited, for the first time in 200 years, the severed halves of the Devil's Punchbowl heathland, an internationally important wildlife site.

Indigenous planting for landscaping reduces water use on US Navy bases

Balfour Beatty Communities, our military housing accommodation business in the USA, select indigenous (drought tolerant) planting for its landscaping to reduce need for irrigation water. 'Turtle Glass' is also used to protect sea turtle nesting areas on navy bases in Georgia and Florida.

Awards

Parsons Brinckerhoff won a Gold Apple Environment Award for their contribution on the Cambridgeshire Guided Busway project in the UK, which achieved a net ecological gain of 10 ha of natural habitat for a wide variety of species.

Our plans for 2012

Our operating companies will continue to develop action plans that seek to protect ecological resources and habitats identified in their projects and own sites/premises by 2012. We will develop new ecology targets and measures for 2015 that track our success on enhancing the ecology on our sites.

We will contribute to the UK Government's biodiversity off-setting pilot to explore how this approach might work in practice.

Our vision for 2020 is designing, constructing and maintaining our projects and own premises to enhance the ecology of the local environment, delivering a net ecological gain.



Looking after bees at Pinderfields

The benefits of insect pollination to the British economy are valued at £400 million. And yet, bees, moths and butterflies are in decline – mainly due to the loss of 3,000,000 hectares of flower-rich habitat in the UK since the 1940s. During our work on Pinderfields hospital, we did our bit to protect bees by relocating more than 20,000 of them to new hives within the Dewsbury area near Leeds.

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Environmental compliance

We care about the natural world and, through the diligence of our site teams, avoided any significant polluting incidents occurring during the year. We apply a management systems approach to mitigate the risk of environmental incidents and maintain compliance with regulatory requirements.

Why this matters to us

If not properly controlled, stormwater runoff from construction sites can contain sediment and other contaminants. Spillage and leakage of oil, fuel and other hazardous substances can affect the natural environment and drinking water supplies. Runoff from highway depots, with salt stockpiles for road de-icing, can also impact local watercourses. Noise and dust can disturb communities.

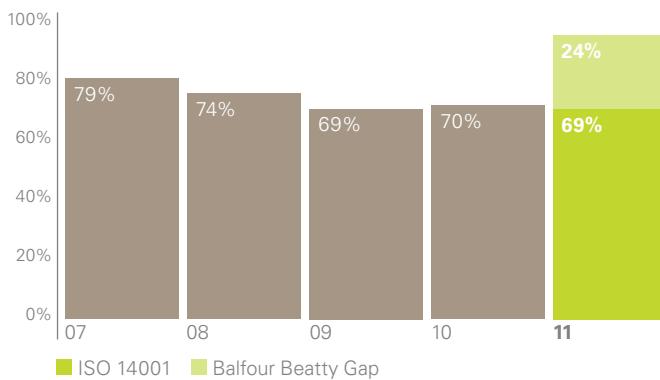
Such incidents not only harm the natural environment and the communities we serve, they can also damage our reputation which can adversely affect our ability to win new contracts.

Our approach

We use a management systems approach to minimise these risks and meet regulatory requirements. Best practice is shared across the Group through our intranet, regular forums and Group-wide communications.

93% of our operations (by revenue) have established environmental management systems to either ISO 14001, (certified by DNV) or are subject to third party audits by ERM according to the Balfour Beatty Group Audit Protocol (BBGAP). Of this total, 69% refers to formal ISO 14001 certification (2010: 70%). Feedback on our performance from DNV, our certification body, outside the USA, is available here ([see our DNV assurance statement 2010–2011 section](#)).

% Global operating company revenue certified to ISO 14001



Controls include careful project planning, the use of mitigation measures, staff training and practising emergency response drills. During 2011 we reviewed all our environmental training materials in the UK and developed a suite of over 40 toolbox talks to deliver a more consistent approach to environmental management across the business.

Global environmental fines

Region	2011	2010	2009	2008	2007
UK	£750	0	£8,000	£40,000	0
Continental Europe	0	0	0	0	0
North America	US\$15,500	0	US\$5,000	US\$20,625	US\$480
Rest of World	\$17,000 (Sg)	\$23,200 (Sg)	\$10,000 (Sg)	\$1,000 (Sg)	0

We encourage our businesses worldwide to systematically record, investigate and learn from environmental incidents. Incidents are categorised as either:

- **Significant** (resulting in irreversible or major environmental impact such as a large fish kill following a spill);
- **Moderate** (requiring management response and/or reportable to environmental regulators such as a discharge of silty water into a watercourse); or
- **Minor** (minimal or short-term local impact with natural recovery such as small oil spill onto hardstanding).

Incident reporting

During 2011, 442 environmental incidents were recorded across our global operations (2010: 338). Of these, none were classified as causing irreversible or major environmental impact. 30 moderate incidents were reported in 2011 (2010: 14). One incident is considered to have impacted the environment when an estimated 500 litres of hydraulic oil was discharged into the Vernon River in Georgia USA, by Balfour Beatty Infrastructure Inc. This incident was reported to the US Environmental Protection Agency and the business was fined (see below).

Spills, primarily minor quantities of hydraulic oil, remain the single largest contributor to environmental incidents recorded by our operating companies accounting for 61% of the total (2010: 64%).

Enforcement action

Six minor environmental incidents resulted in enforcement action and fines in 2011 (2010: five) totalling £18,800 equivalent (2010: £11,000):

- Mansell received a fine of £750 for noise infringement on a construction site in London
- Balfour Beatty Infrastructure Inc was fined US\$500 for a hydraulic oil spill (see above)
- Balfour Beatty Capital Group Inc was fined US\$15,000 for an incident that occurred in 2009 when a sub-contractor disposed of demolition waste without the correct permit
- Gammon Construction was fined a total of Singapore \$17,000 for exceeding noise limits on two occasions and for a potential mosquito breeding site (standing water body).

Corrective actions have been completed for each violation.

Our plans for 2012

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

Our performance

In this section, you will find our key performance data presented in one place and our reporting narrative mapped against the Global Reporting Initiative (GRI) framework. We believe that one of the strengths of our sustainability reporting is our approach to seeking an independent opinion of the progress we are making.

- 76 GRI Index
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- 86 DNV assurance statement 2010–2011
- 87 Roadmap self-assessment summary by division
- 92 Data tables



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Highlights

We have self-assessed our sustainability report as Level A+ against the GRI reporting framework

For the fourth consecutive year, our external stakeholder panel has provided feedback on our approach, performance to date and recommendations where we can improve

URS Infrastructure & Environment Ltd (URS) undertook a detailed assurance exercise of the performance data and claims contained within this report, in line with the AA1000 Assurance Standard

Further assurance is also provided through DNV, who undertake assessments of our safety and environmental performance against the Balfour Beatty Group Audit Protocol (BBGAP).

GR Index

Balfour Beatty's 2011 Sustainability Report has been self-assessed at Level A+ against the GRI3.1 reporting framework. Contained in 2011 Annual Report and Accounts (ARA) are a number of the GRI criteria relating to strategy, economic reporting and governance, including the latest Construction and Real Estate Supplement published in 2011:

www.globalreporting.org

	GRI Reference	Inclusion	Link
Strategy and analysis			
1.1	CEO's statement	●	CEO Statement
1.2	Key impacts	●	Global Issues
Organisational profile			
2.1	Name of organisation	●	About Balfour Beatty
2.2	Brands, products/services	●	About Balfour Beatty, ARA
2.3	Operational structure	●	About Balfour Beatty, ARA
2.4	Location of head office	●	ARA
2.5	Countries of operation	●	About Balfour Beatty, ARA
2.6	Nature of ownership	●	ARA
2.7	Markets served	●	About Balfour Beatty, ARA
2.8	Scale of organisation	●	About Balfour Beatty, ARA
2.9	Significant changes in operation	●	About Balfour Beatty, ARA
2.10	Awards received	●	Profitable Markets
Report parameters			
Report Profile	3.1 Reporting period	●	About this report
	3.2 Date of previous report	●	About this report
	3.3 Reporting cycle	●	About this report
	3.4 Contact point and feedback	●	sustainability@balfourbeatty.com
Report Scope and Boundary	3.5 Defining content	●	What matters most in our reporting
	3.6 Boundary of report	●	About this report
	3.7 Exclusions from scope	●	About this report
	3.8 Joint ventures and subsidiaries	●	About this report
	3.9 Data measurement techniques	●	About this report, Data tables
	3.10 Restatements	●	Waste, Water
	3.11 Significant changes	●	Our performance at a glance
GRI Content Index	3.12 GRI Table	●	GRI Index
Assurance	3.13 Assurance	●	Stakeholder panel, Assurance process
Governance	4.1 Governance of SEE matters	●	Leadership, Governance and Risk Management
	4.2 Chair of highest governance body	●	Leadership, Governance and Risk Management
	4.3 Board structure	●	Leadership, Governance and Risk Management
	4.4 Stakeholder engagement with highest governance body	●	Engaging with stakeholders
	4.5 Remuneration linkages	●	ARA
	4.6 Conflict of interest	●	ARA
	4.7 Qualifications and expertise of highest governance body	●	Leadership, Governance and Risk Management
	4.8 Code of Ethics	●	Ethics, Values and Compliance

	GRI Reference	Inclusion	Link
Governance	4.9 Risk assessment and management	●	Leadership, Governance and Risk Management
	4.10 Process for evaluating the highest governance body's performance, including SEE performance	●	ARA
Commitments to External Initiatives	4.11 Precautionary principle	●	Leadership, Governance and Risk Management
	4.12 External economic, environmental, social charters or other initiatives subscribed to	●	Leadership, Governance and Risk Management
	4.13 Membership of Associations: Governance and Strategic	●	Leadership, Governance and Risk Management
Stakeholder Engagement	4.14 List of Stakeholder groups engaged	●	Engaging with our Stakeholders
	4.15 Identifying stakeholders	●	Engaging with our Stakeholders
	4.16 Approaches to Stakeholder Engagement	●	Engaging with our Stakeholders
	4.17 Stakeholder key topics	●	Engaging with our Stakeholders
Economic Performance Indicators			
Economic performance	EC1 Economic profile	●	ARA
	EC2 Climate change risks and opportunities	●	Key Messages
	EC3 Organisation's defined benefit plan obligations	●	ARA
	EC4 Significant Financial Assistance Received from Government	●	ARA
Market presence	EC5 Wage ratios	○	Reported at Operating Company level
	EC6 Local sourcing policies	○	Reported at Operating Company level
	EC7 Local hiring procedures	○	Reported at Operating Company level
Indirect economic impacts	EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	●	Healthy communities
	EC9 Understanding significant impacts	●	Healthy communities
Environmental Performance Indicators			
Materials	EN1 Materials used	●	Materials
	EN2 Recycled materials	●	Materials
Energy	EN3 Direct energy consumption	●	Energy
	EN4 Indirect energy consumption	●	Energy
	CRE1 Building energy intensity	○	N/A as relates to owners and managers of buildings
Water	EN5 Energy saved due to improvements	●	Data tables
	EN6 Energy-efficient services/renewable energy	●	Energy
	EN7 Initiatives to reduce indirect energy consumption	●	Energy
	EN8 Water usage	●	Water (additional table showing water use in m3)
	EN9 Water sources significantly affected by withdrawal	●	Water
Biodiversity	CRE2 Building water intensity	○	N/A as relates to owners and managers of buildings
	EN11 Protected areas and areas of high biodiversity value outside protected areas	●	Ecology
	EN12 Description of significant impacts of activities, products, and services on biodiversity	●	Ecology
	EN13 Habitats protected or restored	●	Ecology
	EN14 Strategies, current actions, and future plans for managing impacts on biodiversity	●	Ecology

Our performance

GRI Index

	GRI Reference	Inclusion	Link
Emissions, Effluents and Waste	EN16 Greenhouse gas emissions	●	Energy, Carbon and Climate change
	EN17 Other relevant indirect greenhouse gas emissions	●	Data tables
	CRE3 GHG intensity from buildings	●	Energy, Carbon and Climate change
	CRE4 GHG intensity new construction/redevelopment	●	Energy, Carbon and Climate change
	EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	●	Energy, Carbon and Climate change
	EN19 Emissions of ozone depleting substances	●	Energy, Carbon and Climate change
	EN20 NO, SO air emissions	○	N/A to our primary activities
	EN21 Total water discharge	○	Reported at Operating Company level only
	EN22 Total weight of waste	●	Waste
	EN23 Significant spills	●	Environmental compliance
Compliance	CRE5 Land remediated	○	Reported at Operating Company level only
	EN26 Enhanced efficiency and mitigation of environmental impacts	●	Supply Chain
	EN27 Percentage of products sold and their packaging	N/A	N/A as not a primary activity of Balfour Beatty
	EN28 Environmental fines	●	Environmental compliance
	EN10, EN15, EN24, EN25, EN29, EN30	○	Reported at Operating Company level only
Labour practices and decent work			
Employment	LA1 Workforce employment numbers	●	Group at a glance
	LA2* Total number and rate of employee turnover by age, group, gender and region	○	Reported at Operating Company level
Labour/management agreements	LA4* % of employees covered by collective bargaining agreements	○	Reported at Operating Company level
	LA5 Notice periods regarding operational changes	●	Reported at Operating Company level
Occupational health and safety	LA6 Worker representation on health and safety committees	●	Health and safety
	LA7 Occupational health and safety data	●	Health and safety
	CRE6 % organisation operating in compliance with recognised health and safety management system	●	Health and safety
	LA8 Occupational health and safety training	●	Health and safety
Training and Education	LA10 Overall training data	●	Talent and development
	LA11 Programmes for skills management and lifelong learning	●	Talent and development
	LA12 Employee Performance and Career Development Reviews	●	Talent and development
Diversity	LA13 Diversity data	●	Managing our diverse workforce
	LA14 Ratio of salary from women to men by employee category	○	Reported at Operating Company level only
	LA3, LA9	○	Reported at Operating Company level only
Human Rights Performance Indicators*			
Investment and procurement practices	HR1* Percentage and total number of significant investment agreements including clauses relating to human rights	○	Reported at Operating Company level
	HR2* Percentage of significant suppliers and contractors who have undergone human rights screening	○	Reported at Operating Company level
	HR3* Total number of hours training on policies and procedures concerning aspects of human rights	○	Reported at Operating Company level
Non-Discrimination	HR4* Incidents of discrimination and actions taken	○	Reported at Operating Company level
Freedom of association and collective bargaining	HR5* Violation of rights to exercise freedom of expression of association and collective bargaining within operations and suppliers	○	Reported at Operating Company level

	GRI Reference	Inclusion	Link
Child Labour	HR6* Incidents of child labour and measures taken to abolish child labour	<input type="radio"/>	Reported at Operating Company level
Prevention of forced and compulsory labour	HR7* Operations and significant suppliers having risk for incidents of forced or compulsory labour	<input type="radio"/>	Reported at Operating Company level
Indigenous Rights	HR8* Percentage of security personnel trained in human rights policies HR9* Number of instances of violations involving rights of indigenous people HR10* Percentage and number of operations that have been subject to human rights reviews HR11* Number of cases relating to human rights field, filed, addressed and resolved	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Reported at Operating Company level Reported at Operating Company level Reported at Operating Company level Reported at Operating Company level
Society performance indicators			
Local Communities	SO1 Number of operations with implemented community engagement, impact assessment and development programmes	<input checked="" type="radio"/>	Data table
Corruption	SO2 Risks related to corruption SO3 Percentage of employees trained in organisation's anti-corruption policies and procedures SO4 Actions taken in response to incidents of corruption SO5 Public positions on key legislation SO6 Political donations SO7 Anti-competitive, anti-trust, monopoly SO8 Monetary value of significant fines and non-monetary sanctions for non-compliance with laws and regulations SO9* Operations impact on local communities SO10* Prevention and mitigation of potential negative impact on community CRE7 Persons displaced by project	<input checked="" type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Leadership, governance and risk management Reported at Operating Company level Reported at Operating Company level Balfour Beatty does not directly engage in party politics ARA ARA Healthy Communities, ARA Reported at Operating Company level Reported at Operating Company level Reported at Operating Company level
Product responsibility performance indicators			
Customer health and safety	PR1 Lifecycle stages in which health and safety impacts of products and services are assessed for improvement PR2 Total number of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle	<input checked="" type="radio"/> <input checked="" type="radio"/>	Health and safety Health and safety
Product and service labelling	PR3 Procedures for information required on products or services PR5 Customer satisfaction surveys and results	<input type="radio"/> <input checked="" type="radio"/>	Not applicable to our activities Influencing for sustainability
Marketing communications	PR6* Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship PR7* Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	<input type="radio"/> <input type="radio"/>	Reported at Operating Company level Reported at Operating Company level
Compliance	PR9 Monetary value of significant fines for non-compliance with laws and regulations PR4, PR8 CRE8 Type and number of sustainability certification rating	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="radio"/>	Healthy Communities Not applicable Customers

KEY:

BOLD = core indicator

CRE = Construction and Real Estate sector supplement

Reported Partially Reported Not Reported

ARA = Annual Report and Accounts

* The points highlighted above have not been included in this report, either partially or fully, as this data is only collected at a local level and is not reported to Group Head Office. This is due to the data being driven by regional factors and as such comparison of data at Group level is not practical. In every region that we operate we work to the local government's regulations or our own standards, whichever are higher.

Sustainability Performance Indicators

Our performance data by region can be viewed here ([see our Data tables section](#)).

2011 Stakeholder Panel Independent Opinion Statement

The panel assembled for its fourth year included leaders in sustainability, representative of the different stakeholder groups important to Balfour Beatty and their business strategy. The Stakeholder Panel (the panel) included a good mix of old and new members and diversity of representatives. The panel noted that the creation of this panel and the openness and transparency of the process in itself represents clear leadership within the construction sector. It is clear that Balfour Beatty have continued to make progress towards their 2020 vision and this year's report represents another step forward in both its presentation and content. It is crucial that momentum is maintained, Balfour Beatty develop SMART objectives and quantifiable progress against defined targets is accelerated, so as to prevent competitors overtaking.

Highlights

This is a comprehensive report, well laid out covering the full breadth of sustainability, offering a balanced view of successes and opportunities to improve, whilst clearly identifying the key messages for stakeholders. The panel appreciated the efforts made to shorten the report and would recommend a continued push towards focused reporting whilst ensuring not to over simplify so resulting in important detail being lost. The capture and appropriateness of data collection has improved. It is clear the company has increased its efforts to avert waste to landfill, whilst establishing water foot printing as a new method of performance monitoring inclusive of embodied water use, which will grow in importance with time. Reporting on health and safety continues to improve in particular to provide clarity about the terrible fatalities suffered last year. However, there still remains room for improvement to meet the Zero Harm objective. Elements of the report are well aligned to 'winning work' and overall business strategy, but could be more explicit in the future. Good progress has been made in raising awareness of the roadmap, especially internally. The assurance process has been well articulated this year demonstrating the depth to which Balfour Beatty ensure the quality of the data in the report.

Key themes for development

Performance

While the panel recognise and commend Balfour Beatty on good progress in some areas, the highlights section of the report identifies several areas where rapid improvement is needed. The panel felt 7% of projects with Sustainability objectives is too low, and, if this figure could increase sharply it would help to improve sustainability performance across the board. We strongly recommend Balfour Beatty concentrate on raising this figure to 100% for new projects as soon as possible and this make this a key focus for 2012.

Stakeholders

Feedback from stakeholders is a key focus for Balfour Beatty. However the panel felt that whilst Balfour Beatty explain their work relating to the stakeholder group, the report could be improved by linking stakeholder feedback to direct actions. Therefore the panel would like to see a clarification of types of engagement followed by what they said, then actions taken to meet the needs of the stakeholder group or explanation of why actions have not been undertaken.

Health and Safety

This is the best report to date (in terms of transparency) on Health and Safety, however the panel still want to see greater consistency in reporting of health and safety performance.

Financial

The report does not explain to the reader the clear business benefit in moving towards sustainable solutions. The next report needs to include case studies that inform customers on "what's in it for them". If new data is required this should start to be collected straight away and in the first year maybe emphasise this through case studies only.

Recommendations

Recommendation 1

- Define SMART objectives and targets for 2015. There needs to be a clear strategy for achieving the 2020 targets setting out the interventions needed to deliver the targets and clear linkage made to the overall business strategy for this period.

Recommendation 2

- Set a target for the number of new projects with agreed sustainability objectives for each year, with an aim to have 100% by 2015. This must be a focus for next year as intervention here could make a massive difference in progress towards a number of the organisational sustainability targets and the competitive advantage of the business.

Recommendation 3

- Achieve greater consistency in the reporting of health and safety performance.
- The Zero Harm target has not been achieved. This must be recognized as a major problem by the CEO and a clear statement and timetable set out to the business about how Balfour Beatty will get back on track. The panel would like to see this has happened at the start of 2013 and that measures have been taken to ensure rapid improvement or this runs the risk of being seen as a marketing message.

Recommendation 4

- Make stakeholder feedback the starting point for 2013 report. There is a need for Balfour Beatty to clearly demonstrate engagement, feedback and then actions taken relating to what the stakeholder said next year. This has not been demonstrated this year.

Recommendation 5

- Improve performance. The 'Performance at a glance' section in the report shows that several targets are not being achieved. Balfour Beatty is being open about its performance which is good, but greater detail required on the actions being taken to address the failure to meet the targets fully. Clear relevant SMART targets are required for all 10 areas. Currently no KPI for ecology exists. Too many of the report's targets and reporting against them are so unspecific and vague to be potentially misleading. We expect far clearer targets and reporting against them.
- Use data to provide regular updates at project and Operating Company level to help drive changes.
- Provide an update on last year's panel recommendations, particularly those that have not been fully achieved.

Recommendation 6

- Beginning in 2012, capture relevant data for improved measurement and monitoring of the financial improvement for the customer or client, and provide case studies. The panel agreed that a clear explanation and case studies providing financial benefits of a sustainable approach would provide business benefit to Balfour Beatty.
- Practical and human elements help to make the report more readable however repetition from previous years should be avoided (ie Texas school).

Recommendation 7

- Focus on the essential things that will make the most difference. The panel would like to see focused reporting in 2012 providing clearer articulation of what Balfour Beatty's key sustainability priorities are and how these relate to the core business strategy. This should then be backed up by clearer direction, outcomes and improved performance against specific targets. Where targets are not met reasons for the failure and an action plan to recover should be provided.

Recommendation 8

- Demonstrate leadership in improving sustainability across projects lifecycle and in procurement. Through the current monitoring and measurement procedures Balfour Beatty know what the key impacts to mitigate are, and so this needs to be reflected in future targets. Suppliers will have the data available to help drive change and so the panel would like to see effort made to address this. Focus on outputs from the business and how this is going to affect targets and sustainable procurement plans.

Recommendation 9

- Provide more detailed information on the internal governance of sustainability and how this is cascaded to the business, to encourage greater sharing and a drive to consistency across the Operating Companies.

Recommendation 10

- Assess diversity and representativeness of the Stakeholder Panel to better represent the diversity of the community and customers served.

Recommendation 11

- Community investment reporting should be more strategic with explanation of how it aligns with business strategies and clear KPIs introduced to measure its impact.

Stakeholder panel membership

For the fourth consecutive year, we asked an external stakeholder panel to review our reporting practices and provide an independent opinion of our sustainability performance and recommendations for where we could improve. We believe that this approach to assurance is still unique for our sector.

Ten experienced sustainability and corporate responsibility practitioners met three times during the period January – March 2012 to review our report. Members of the panel are detailed below.

Name	Job Title	Organisation	Years on the Panel
Paul Edwards (panel chair)	Head of Sustainability	Hammerson plc	2
Hilary Davidson	Director, Sustainability and Community Affairs	Duke Energy Corporation	2
Dominic Phinn	Account Manager	Business in the Community	2
Ian Gearing	Head of Corporate Responsibility	National Grid plc	4
Tim Goodman	Manager	Hermes Equity Ownership Services	3
Cat Hirst	STEP Manager	UK-Green Building Council	1
Mark Hopkinson	Head of New Business Team	UNICEF	1
Kegan Lovely	Environmental Manager – Europe and CEEMEA	Bank of America Merrill Lynch	1
Will Martin	Procurement Strategy Manager	Environment Agency	2
Andy Spencer	Sustainability Director – UK Operations	CEMEX	3

The terms of reference for the panel can be downloaded here [collectiveresponsibility.net](#). The views of the Panel are reproduced in full ([see Our progress against the panel's 2010 recommendations section](#)), without amendment from Balfour Beatty together with our response ([see our Balfour Beatty response to 2011 stakeholder panel statement section](#)).

Our progress against the panel's 2010 recommendations

Key

- Completed
- In Progress
- Limited/No Progress

Balfour Beatty, April 2012

Recommendation	Balfour Beatty response/progress	Key
Readability of the printed summary report would benefit from clearer alignment with the 2020 vision and roadmap	We have not produced a separate summary sustainability report this year, opting instead for an integrated report within our Annual Report and Accounts (Balfour Beatty Annual report and accounts 2011) and a more concise, full online report aligned to the 10 focus areas of the 2020 vision (this document).	●
Develop clear objectives for 2015 and action plans in the 2011 sustainability report.	Work commenced on refreshing the roadmap in late 2011 and will be completed by Q3 2012 (see Our sustainability vision and roadmap section) including external consultation in the development process. It has always been our intention to develop this plan in 2012, taking into account progress achieved in the current 2012 expectations and excellence areas. The new 2015 targets in our roadmap will be made available in the public domain before the end of 2012.	○
Include more detail on how Balfour Beatty is sharing sustainability best practice around the world, including the 2012 Olympics.	We shared best practice in a number of forums including the UKCG, CIRIA and the ICE as well as external presentations and will continue to do so in 2012, including Olympics' masterclasses through the UK-GBC www.ukgbc.org/events .	○
More detailed reporting of climate change adaptation and water.	In 2011, we developed a climate change adaptation framework covering the infrastructure lifecycle (see our Energy, carbon and climate change section) and will be providing training in its use in 2012. We also developed a suite of water footprinting tools (see our Influencing for sustainability section) and worked with the industry to reduce water use during the construction process (see our Water section). Training in the use of the water footprinting tools was undertaken during 2011 across the Group. We will be encouraging our businesses to apply these tools on their projects and feedback their experiences in 2012.	●
More detailed reporting of diversity, communities and employee wellbeing to better understand the company's priorities, strategies and next steps.	During 2011, we developed a Group-wide diversity strategy (see our Managing our diverse workforce section), appointed a Board level diversity champion and will be implementing the plan during 2012. We also completed a comprehensive review of our community practices worldwide (see our Community engagement and investment section). Further progress on developing employee wellbeing is more limited (see our Wellbeing and absence section). We expect to be able to report further progress on wellbeing in next year's report as our businesses implement the sustainability roadmap.	○
Provide more in-depth data on scope 3 carbon and analysis of waste, and how procurement activities are driving reductions in environmental impacts.	Scope 3 data from our building projects has been provided in this year's report, complementing previous reports examining our civil engineering projects. We will review scope 3 carbon during the refresh of the roadmap in 2012 and will extend its measurement and reporting as a minimum expectation for our businesses. Further analysis of our waste performance is provided (see our Waste section). We will be rolling out a sustainable procurement course for our quantity surveyors, estimators and project managers in 2012 (see our Supply chain section) and expanding the activities of our Sustainable Procurement Group to cover our global operations.	○
Deeper reporting on fatal accident investigations, lessons learned and preventative action taken.	Actions taken following the five fatalities in Gammon Construction during 2011 have been provided. An update on the lessons learnt and follow-on actions arising from our five fatalities in 2010 is also provided together with further information on major injuries and incidents involving members of the public (see our Health and safety section).	●
Link sustainability performance to senior management remuneration (from 2008 panel).	Following review, it was agreed to continue to use financial measures only for executive incentive schemes. Non-financial performance (such as people, safety and sustainability) are covered through normal business management and individual performance management arrangements.	○
Improve the reporting of targets, KPIs, performance, explanation of trends and regional reporting.	A more detailed breakdown of performance is now provided in our report data table by region (see our Data tables section). Progress against the 2012 requirements in our sustainability roadmap by operating company is also provided. The link between KPIs and targets will be examined in more detail in 2012 during the development of new targets for 2015.	○

Balfour Beatty response to 2011 stakeholder panel statement

We thank the Panel for their continued insight, challenge and recommendations on where we can improve our sustainability reporting. We take encouragement from the panel on their belief that we are leading our sector with our approach to sustainability reporting and the progress we have made with our 2020 vision.

With any programme of change, there is always scope for improvement, so we have set out our initial response to the panel's recommendations below.

Balfour Beatty, April 2012

Recommendation	Balfour Beatty response
SMART objectives and strategy	We are currently working on SMART objectives for 2015 as part of the refresh of our roadmap and will seek stakeholder feedback before finalising them later this year. We believe that sustainability plays an important role in shaping our overall business strategy and have set this out on page 2 of the report.
Agreed sustainability deliverables with the customer.	We agree that there is significant scope for improvement on agreeing sustainability deliverables on new projects with our customers. We believe that our operating companies are under estimating this figure and will issue improved guidance on what is covered by this metric and what is not. Whilst a 100% target is a laudable aim, achieving it in practice across such a diverse business operating across the globe is unrealistic. A more appropriate aim is offering sustainability options to all customers.
Zero Harm	The challenge of meeting our Zero Harm targets is acknowledged at the highest levels within the company. Our focus on this area has not changed and we continue to make Zero Harm a fundamental part of the way we deliver our business.
Stakeholder feedback	The external consultation of our 2015 roadmap targets later this year will provide us with an opportunity to gain a deeper insight into what our stakeholders think about our performance and what issues matter most to them.
Performance at a glance	All organisations regardless of sector, find it challenging to report on a comprehensive suite of sustainability indicators. Our roadmap, when it was created in 2009, was developed with a mix of quantitative targets and process based measures. We have gained a great deal of experience since then which has helped us to develop an improved set of KPIs for a number of areas of the refreshed roadmap for 2015. However, to expect quantified targets for all 30 elements of the roadmap is unrealistic. We have captured some data on ecology in our report. However, as our roadmap establishes enhancement measures as an area of 2012 excellence, not all operating companies currently capture this data, which prevents us from making group-wide claims on trends in ecology.
Financial case	We will examine how best we can capture and communicate information on the financial improvements a more sustainable offering can bring to customers, highlighting what's in it for them. Generating robust data that holds up well to external assurance will be challenging within the timescales of next year's report. As the panel suggest, this may best be served through the provision of case studies in the short term.
More focused reporting	We believe that our reporting has continued to improve this year, with our focus on key messages and our approach to materiality to focus on what matters most. We will revisit this aspect of our reporting next year.
Project lifecycle and procurement	Our 2015 refresh of the roadmap will emphasise project lifecycle impacts and collaboration with our supply chain partners on reporting impacts and the delivery of sustainability improvements.
Sustainability governance	Information is already provided in the report on our internal governance arrangements on sustainability and the sharing of good practice between businesses (pages 8–9 and 21–22).
Membership of the stakeholder panel	The 2011 panel is the most diverse we have had to date, representing customers in our major UK and USA markets, an investor, supplier, trade body and third sector organisations. In conjunction with URS we will explore options for further enhancing the diversity of organisations contributing to the panel.
Community Investment	We acknowledge that improvements can be made in the reporting of our community investment practices, alignment with business objectives and KPIs. We will examine how best this can be achieved over the coming year.

We will publish an update on our progress against these recommendations in next year's report.

Our assurance processes

We use a number of assurance programmes for our sustainability performance, comprising inputs from URS, KPMG and DNV, together with our own internal governance framework (Sustainability Working Group and Business Practices Committee) in addition to our independent stakeholder panel. The relationship between each is depicted in the diagram below:

DNV

Regular audits of our quality, health, safety and environmental management systems against the international standard ISO 9000, OHSAS 18001 and ISO 14001, together with our own health, safety and environmental requirements, Balfour Beatty Group Audit Protocol (BBGAP) are undertaken by DNV. An assurance statement covering this activity is provided here ([see our DNV assurance statement 2010–2011 section](#)). Audit findings are reviewed by the senior directors in the Company.

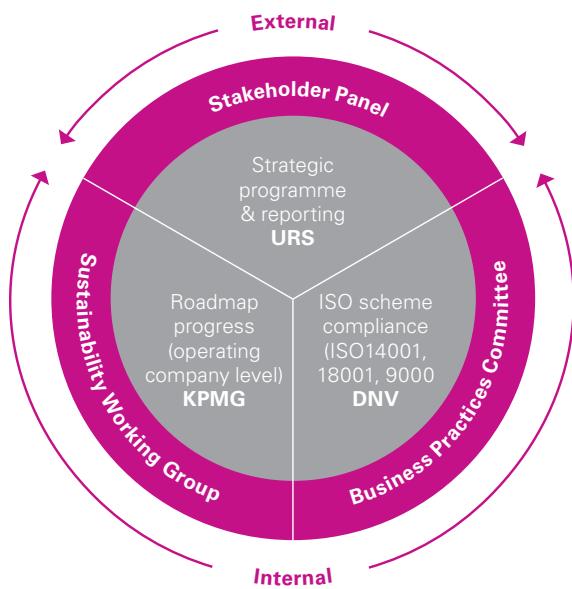
KPMG

Our Sustainability Working Group (SWG) partnered with sustainability assurance experts in KPMG to assess progress against the roadmap at operating company level. The findings of this internal assurance process are reviewed by the SWG and also the Business Practices Committee (BPC). For details of the main findings of these reviews go to ([see Our sustainability vision and roadmap section](#)).

URS

Our approach to report assurance follows the AA1000 Assurance Standard (inclusive, reflects material issues and is responsive to stakeholder concerns).

To help inform the Stakeholder Panel, we commissioned URS to conduct a review of our strategic sustainability programme and data collection processes at all levels in the Company used to compile the information contained within this report. Key elements of this process are summarised below:



Assurance Element	Approach	Location(s)	Focus Areas
Senior management engagement	Interviews with 20 senior managers	Group Head Office, London By phone: Parsons Brinckerhoff, Gammon Construction, Construction US, Regional Civil Engineering and Engineering services	Customers, community, climate change and supply chain management
Group data and report claims	Interviews and review of data aggregation and checking processes and claims evidence	Group Head Office, London	A sample of quantitative and qualitative claims provided in the report
Operating company reviews	One-day data reviews and interviews with key personnel at operating company head office	<ul style="list-style-type: none">Balfour Beatty Regional Civil Engineering (UK)Balfour Beatty Engineering Services (UK)Dutco Balfour Beatty (Joint Venture in Dubai)Balfour Beatty Rail (Germany)	Customers, climate, communities as well as selected key performance indicators including waste and safety
Site reviews	One day data reviews and interviews at project and manufacturing sites	<ul style="list-style-type: none">Doncaster site, UK (Balfour Beatty Regional Civil Engineering)Wednesbury, UK modular assembly plant (Balfour Beatty Engineering Services)Dubai site, UAE (Dutco Balfour Beatty) and migrant labour accommodation facility	Customers, climate, communities as well as selected key performance indicators including waste and safety

The members of the URS project team have not been involved in the development of the report or associated sustainability programmes, data and information collection systems. This ensures that the URS project team is well-placed to provide an independent review of our sustainability programme and performance data to the panel. The URS project team was led by a lead auditor as defined by the Institute for Environmental Management and & Assessment (IEMA).

DNV assurance statement 2010–2011

Balfour Beatty engages Det Norske Veritas (DNV) to work with them in the development and implementation of the Balfour Beatty Group Audit Protocol (BBGAP) to achieve the following objectives:

- To provide assurance to the Balfour Beatty Board and to Balfour Beatty Organisation management teams that Safety, Health, Environment and Quality (SHEQ) is being managed and delivered effectively to a consistently high level across all of its operating companies
- Using a scored and quantified audit system that will support accurate benchmarking, both internally and between operating companies, and drive continuous improvement
- To maintain certification to OHSAS 18001, ISO 14001 and ISO 9001, as a by-product of the BBGAP audit.

Process

DNV has assessed the SHEQ performance of most Balfour Beatty Organisations internationally, using the BBGAP as a basis for audit, and presents the detail of this in the annual report.

Findings

As a result of this process, areas for improvement have been identified and corrective actions put in place across each of the operating companies audited by DNV. The audits have also identified good practice in individual operating companies which can be of benefit to the entire group.

17 Balfour Beatty operating companies audited achieved a maximum of BBGAP Level 5 for Process and 12 operating companies also achieved a maximum of BBGAP Level 5 for Implementation.

Conclusion

The continued commitment to BBGAP, the focus once again on the split between Process and Implementation questions and enhanced consistency of requirements through the adoption of group standards has resulted in a number of key areas for improvement. Accordingly, the BBGAP process has been seen to be driving continuous improvement within the business.

DNV commends Balfour Beatty for the continual progress it continues to make with respect to the improvement of SHEQ.

Overall from the audits carried out, and the resulting actions, DNV have a high level of confidence that Balfour Beatty are committed to meeting their obligations and are striving for excellence in their SHEQ Management Systems.

Roadmap self-assessment summary by division

As part of our ongoing review of our progress towards our 2012 roadmap targets we ask each operating company to assess their progress. A summary of each operating company's self-assessed progress is displayed below:

Analysis							
	Construction Services UK	International JVs	Rail	Support Services	Investments	Construction Services US	Total
Expectations Red	9	5	15	2	0	25	56
Expectations Amber	117	63	135	54	28	51	448
Expectation Green	72	24	30	36	31	15	208
<hr/>							
Excellence Red	0	13	22	7	0	0	42
Excellence Amber	71	35	31	42	17	1	196
Excellence Green	38	10	7	6	13	0	74

Our performance

Roadmap self-assessment summary by division

Key

● Completed

○ In Progress

● Limited/No Progress

Construction services UK											
Construction Scottish and Southern		Construction Northern		Major Civil Engineering		Regional Civil Engineering		Mansell		Engineering Services	
2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence
Profitable Markets 2012											
Winning Work	●	○	●	○	●	○	○	n/a	○	n/a	○
Meeting Customers' Sustainability Goals	●	○	●	○	●	●	○	n/a	○	n/a	○
Influencing the Market Environment	●	○	●	○	●	●	○	○	●	n/a	○
Marketing	●	○	●	●	●	●	○	○	●	●	○
Influencing Customer Perceptions	●	○	●	●	●	●	○	○	●	n/a	○
Striving for Leadership	●	○	●	○	●	●	○	●	●	n/a	○
Healthy Communities											
Clarifying Roles and Responsibilities	○	○	●	●	○	●	●	n/a	●	○	○
Innovating	●	n/a	●	○		○	○	n/a	●	●	○
Keeping People Safe	○	n/a	●	●	○	●	●	○	●	●	○
Promoting Healthier Lifestyles	○	n/a	●	○	●	●	○	○	●	●	○
Increasing Employee Satisfaction and Engagement	●	○	●	●	○	●	●	●	●	●	n/a
Valuing Diversity	●	○	●	○	●	●	●	n/a	●	●	●
Developing Leaders	●	○	●	●	●	●	●	n/a	●	n/a	●
Attracting and Developing People of High Potential	●	n/a	●	○	●	●	●	●	●	●	●
Optimising Supplier Relationships	○	n/a	●	○	●	●	●	●	●	n/a	●
Achieving Continuous Improvement	○	n/a	●	●	●	●	●	●	●	n/a	●
Behaving Responsibly	●	●	●	●	●	●	●	●	●	●	n/a
Employing Locally	○	○	●	●	●	●	●	n/a	●	●	●
Engaging with Communities	●	○	●	●	●	●	●	n/a	●	●	n/a
Environmental Limits											
Reducing Scope 1 and 2 Greenhouse Gas Emissions	○	n/a	○	n/a	●	●	○	●	●	n/a	●
Reducing Scope 3 Greenhouse Gas Emissions	○	n/a	○	n/a	●	●	●	n/a	●	n/a	●
Achieving Green Building Certification	○	n/a	n/a	●	●	●	●	n/a	●	n/a	●
Building in Adaptation	○	n/a	●	●	●	●	●	n/a	●	n/a	●
Reducing Waste to Landfill	●	○	●	n/a	●	●	●	n/a	●	n/a	●
Minimising Waste over the Lifecycle of Assets	○	●	●	●	●	●	●	●	●	n/a	●
Minimising Waste by Using Recycled Materials	○	n/a	●	n/a	●	●	●	n/a	●	n/a	●
Reducing Direct Water Use	○	n/a	●	n/a	●	●	●	n/a	●	n/a	●
Reducing Indirect Water Use	○	n/a	●	n/a	●	●	●	n/a	●	n/a	●
Managing the Materials Lifecycle	○	●	●	n/a	●	●	●	n/a	●	n/a	●
Sourcing Responsibly	○	n/a	●	n/a	●	●	●	●	●	n/a	●
Working with Protected Species and Habitats	●	○	●	●	●	●	●	n/a	●	n/a	●

Key

- Completed
- In Progress
- Limited/No Progress

	Jointly Owned International Businesses						Support Services					
	BK Gulf		Gammon Construction		Dutco		Workplace		Living Places		Balfour Beatty Utility Solutions	
	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence
Profitable Markets 2012												
Winning Work	●	●	●	●	●	n/a	●	●	●	●	●	n/a
Meeting Customers' Sustainability Goals	●	●	●	n/a	●	n/a	●	●	●	●	●	●
Influencing the Market Environment	●	●	●	●	●	n/a	●	n/a	●	●	●	●
Marketing	●	●	●	●	●	n/a	●	●	●	●	●	●
Influencing Customer Perceptions	●	●	●	●	●	n/a	●	●	●	●	●	n/a
Striving for Leadership	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Healthy Communities												
Clarifying Roles and Responsibilities	●	●	●	●	●	n/a	●	n/a	●	●	●	●
Innovating	●	●	●	●	●	n/a	●	●	●	●	●	●
Keeping People Safe	●	●	●	●	●	n/a	●	●	●	●	●	n/a
Promoting Healthier Lifestyles	●	●	●	●	●	n/a	●	●	●	●	●	n/a
Increasing Employee Satisfaction and Engagement	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Valuing Diversity	●	●	●	●	●	n/a	●	●	●	●	●	●
Developing Leaders	●	●	●	●	●	n/a	●	●	●	n/a	●	n/a
Attracting and Developing People of High Potential	●	●	●	●	●	n/a	●	●	●	●	●	n/a
Optimising Supplier Relationships	●	●	●	●	●	n/a	●	●	●	●	●	●
Achieving Continuous Improvement	●	●	●	●	●	n/a	●	●	●	●	●	n/a
Behaving Responsibly	●	●	●	●	●	n/a	●	●	●	●	●	●
Employing Locally	●	●	●	●	●	n/a	●	●	●	●	●	n/a
Engaging with Communities	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Environmental Limits												
Reducing Scope 1 and 2 Greenhouse Gas Emissions	●	●	●	●	●	n/a	●	●	●	●	●	●
Reducing Scope 3 Greenhouse Gas Emissions	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Achieving Green Building Certification	●	●	●	●	●	n/a	●	n/a	n/a	n/a	●	n/a
Building in Adaptation	●	●	●	n/a	n/a	n/a	●	n/a	●	●	●	n/a
Reducing Waste to Landfill	●	●	●	●	●	n/a	●	n/a	●	●	●	●
Minimising Waste over the Lifecycle of Assets	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Minimising Waste by Using Recycled Materials	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Reducing Direct Water Use	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Reducing Indirect Water Use	●	●	●	n/a	●	n/a	●	n/a	●	●	●	n/a
Managing the Materials Lifecycle	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Sourcing Responsibly	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a
Working with Protected Species and Habitats	●	●	●	●	●	n/a	●	n/a	●	●	●	n/a

Our performance

Roadmap self-assessment summary by division

Key

● Completed

○ In Progress

● Limited/No Progress

Rail											
Germany and Austria		Spain		Scandinavia		Italy		Malaysia		UK	
2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence
Profitable Markets 2012											
Winning Work	●	n/a	●	●	●	n/a	●	●	n/a	●	n/a
Meeting Customers Sustainability Goals	●	n/a	●	●	●	n/a	●	●	n/a	●	n/a
Influencing the Market Environment	●	n/a	●	●	●	n/a	●	●	n/a	●	●
Marketing	●	n/a	●	●	●	n/a	●	●	●	●	●
Influencing Customer Perceptions	●	n/a	●	●	●	n/a	●	n/a	●	●	●
Striving for Leadership	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Healthy Communities											
Clarifying Roles and Responsibilities	●	n/a	●	●	●	●	●	●	n/a	●	●
Innovating	●	n/a	●	●	●	n/a	●	●	n/a	●	●
Keeping People Safe	●	n/a	●	●	●	n/a	●	●	n/a	●	●
Promoting Healthier Lifestyles	●	n/a	●	●	●	●	●	●	n/a	●	●
Increasing Employee Satisfaction and Engagement	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Valuing Diversity	●	n/a	●	●	●	n/a	●	●	n/a	●	●
Developing Leaders	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Attracting and Developing People of High Potential	●	n/a	●	●	●	n/a	●	n/a	●	●	●
Optimising Supplier Relationships	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Achieving Continuous Improvement	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Behaving Responsibly	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Employing Locally	●	n/a	●	n/a	●	n/a	●	●	n/a	●	n/a
Engaging with Communities	n/a	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Environmental Limits											
Reducing Scope 1 and 2 Greenhouse Gas Emissions	●	n/a	●	●	●	n/a	●	n/a	●	n/a	n/a
Reducing Scope 3 Greenhouse Gas Emissions	●	n/a	●	●	●	n/a	●	n/a	●	●	●
Achieving Green Building Certification	●	n/a	n/a	n/a	n/a	n/a	●	n/a	●	n/a	●
Building in Adaptation	●	n/a	n/a	n/a	●	n/a	n/a	n/a	●	n/a	●
Reducing Waste to Landfill	●	●	●	●	●	n/a	●	●	●	n/a	●
Minimising Waste over the Lifecycle of Assets	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Minimising Waste by Using Recycled Materials	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Reducing Direct Water Use	●	n/a	●	●	●	n/a	●	n/a	●	n/a	●
Reducing Indirect Water Use	●	n/a	●	●	●	n/a	●	n/a	●	●	●
Managing the Materials Lifecycle	●	n/a	●	●	●	n/a	●	n/a	●	●	n/a
Sourcing Responsibly	●	n/a	●	●	●	n/a	●	n/a	●	●	●
Working with Protected Species and Habitats	●	n/a	n/a	n/a	●	n/a	●	n/a	●	●	●

Key

- Completed
- In Progress
- Limited/No Progress

	Construction Services US						Investments		
	Construction US		Infrastructure Inc.		Rail Inc.		Capital UK		Capital Group US
	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum	2012 Excellence	2012 Minimum
Profitable Markets 2012									
Winning Work	●	n/a	●	n/a	●	n/a	●	●	n/a
Meeting Customers' Sustainability Goals	■	n/a	■	n/a	●	n/a	●	●	●
Influencing the Market Environment	■	n/a	●	n/a	■	n/a	●	●	n/a
Marketing	●	n/a	●	n/a	●	n/a	●	●	●
Influencing Customer Perceptions	●	n/a	●	n/a	●	n/a	●	●	●
Striving for Leadership	■	n/a	●	n/a	●	n/a	●	●	n/a
Healthy Communities									
Clarifying Roles and Responsibilities	●	n/a	●	n/a	●	n/a	●	n/a	n/a
Innovating	●	n/a	●	n/a	●	n/a	●	●	●
Keeping People Safe	●	n/a	●	n/a	●	n/a	●	●	●
Promoting Healthier Lifestyles	●	n/a	●	n/a	●	n/a	●	●	●
Increasing Employee Satisfaction and Engagement	●	n/a	●	n/a	●	n/a	●	●	●
Valuing Diversity	●	n/a	●	n/a	●	n/a	●	n/a	n/a
Developing Leaders	●	●	●	n/a	●	n/a	●	●	●
Attracting and Developing People of High Potential	●	n/a	●	n/a	●	n/a	●	●	n/a
Optimising Supplier Relationships	■	n/a	●	n/a	●	n/a	●	n/a	●
Achieving Continuous Improvement	■	n/a	■	n/a	■	n/a	●	●	●
Behaving Responsibly	■	n/a	●	n/a	●	n/a	●	●	●
Employing Locally	■	n/a	●	n/a	●	n/a	●	n/a	●
Engaging with Communities	■	n/a	●	n/a	■	n/a	●	n/a	●
Environmental Limits									
Reducing Scope 1 and 2 Greenhouse Gas Emissions	●	n/a	●	n/a	●	n/a	●	●	n/a
Reducing Scope 3 Greenhouse Gas Emissions	●	n/a	■	n/a	■	n/a	●	●	●
Achieving Green Building Certification	●	n/a	●	n/a	n/a	n/a	●	n/a	●
Building in Adaptation	■	n/a	■	n/a	n/a	n/a	●	n/a	●
Reducing Waste to Landfill	●	n/a	●	n/a	●	n/a	●	●	n/a
Minimising Waste over the Lifecycle of Assets	■	n/a	●	n/a	■	n/a	n/a	n/a	●
Minimising Waste by Using Recycled Materials	■	n/a	●	n/a	●	n/a	n/a	n/a	●
Reducing Direct Water Use	●	n/a	●	n/a	●	n/a	●	n/a	●
Reducing Indirect Water Use	■	n/a	●	n/a	■	n/a	●	n/a	●
Managing the Materials Lifecycle	■	n/a	●	n/a	■	n/a	n/a	n/a	●
Sourcing Responsibly	●	n/a	●	n/a	■	n/a	●	n/a	●
Working with Protected Species and Habitats	●	n/a	●	n/a	●	n/a	●	n/a	●

Data tables

Trend in Accident Frequency Rate (split by OpCo and Group):

	2011	2010	2009	2008	2007
AFR (OpCo)	0.17	0.19	0.21	0.28	0.29
AFR (Group)	0.17	0.16	0.17 ¹	0.2	0.21
Hours (OpCo)	208,875,375	202,735,952	182,755,433 ²	174,715,688	145,727,429
Hours (Group)	315,325,093	287,994,341	281,800,408 ³	327,186,796	274,068,384

¹ AFR updated due to change in Gammon Construction or Balfour Beatty Rail hours

² Worker numbers increased by 316

³ Group workers reduced due to changes from Gammon Construction, Major Civil Engineering and Parsons Brinckerhoff

Appraisals

Region	2011			2010		
	Staff Employee numbers	Staff PDRs completed	Staff % completed	Staff Employee numbers	Staff PDRs completed	Staff % completed
UK	15,918	5,936	37	19,146	8,965	47
Europe	3,680	2,446	66	3,740	2,042	55
NA	6,140	5,455	89	5,460	4,422	81
ROW	5,705	4,573	80	5,282	4,497	85
Global	31,443	18,410	59	33,628	19,926	59

Community engagement plans

Region	2011
UK	374
Europe	0
NA	59
ROW	29
Total	462

2011 Geographical CO₂ emissions (tonnes CO₂e) breakdown by source:

Region	Electricity	Buildings			Vehicles & Plant			CO ₂ from employee (air travel) business travel (rail, air, other – estimated)	Total (including employee business travel)
		Natural & Bottled Gas	Heating Oil & Boiler Fuel	Buildings Total	Plant	Fleet	Vehicles & Plant Total		
UK	36,720	5,249	86	42,055	86,285	80,605	166,891	12,451	221,396
Europe	1,522	204	0	1,726	1,965	6,068	8,032	1,141	10,899
NA	45,518	1,256	263	47,037	5,567	21,174	26,741	8,271	82,049
ROW	50,569	34	0	50,604	88,960	50,806	139,766	56,008	246,377
Total:	134,329	6,743	349	141,422	182,777	158,653	341,430	77,871	560,721
% of total	–	–	–	25%	–	–	61%	14%	100%

Absolute Tonnes CO₂e (Excluding Air Travel)

Region	2011	2010	2009	2008 Restated	2007 Restated
UK	208,945.49	259,744.64	224,330.42	217,449.70	204,084.24
Europe	9,758.68	9,680.90	3,460.24	3,445.09	2,541.93
NA	73,777.69	62,503.43	49,838.04	2,961.98	
ROW	190,369.33	128,019.28	122,107.90	111,491.38	45,745.52
Total	482,851.20	459,948.25	399,736.59	335,348.15	252,371.68

Note: Above table does not include CO₂ emissions from Air Travel

Global equivalent CO₂e per £m revenue

Region	2011	2010	2009	2008 Restated	2007 Restated
UK	34.7	43.6	34.5	34.7	41.2
Europe	18.3	16.9	6.7	8.0	9.8
NA	22.2	20.5	18.3	1.3	
ROW	106.3	87.9	96.7	117.7	71.5
Total	41.4	41.7	36.3	33.9	39.1

Total absolute global waste disposed to landfill (tonnes)

Region	2011	2010	2009	2008	2007
UK	348,667	603,328	685,563	793,217	671,697
Europe	7	75	81	1,207	5,744
NA	101,442	240,049	104,413	515	–
ROW	54,098	66,091	88,351	38,487	26,291
Total	504,215	909,543	878,409	833,425	703,733

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

Region	2011	2010	2009	2008	2007
UK	58	101	105	127	136
Europe	0	0	0	3	22
NA	31	79	38	0	0
ROW	30	45	70	41	41
Total	43	82	80	84	109

Global waste avoided from landfill v waste disposed from landfill (tonnes)

	2011	2010	2009	2008	2007
Waste disposed	10%	22%	15%	23%	23%
Waste recycled	90%	78%	85%	77%	77%

Our performance

Data tables

Global waste to landfill (tonnes)

Waste type	Demolition disposed	Excavation disposed	Construction disposed	Office disposed	Manufacturing/depot disposed	Total weight of waste disposed (all sources) (tonnes)
UK	61,135.54	230,795.23	21,843.67	3,978.25	30,914.78	348,667.47
Europe	–	–	0.17	–	7.00	7.17
ROW	–	–	53,927.43	167.02	4.00	54,098.45
NA	17,889.40	421.00	80,678.00	2,427.47	26.31	101,442.18
Total	79,024.94	231,216.23	156,449.27	6,572.74	30,952.09	504,215.27

Global waste avoided from landfill (tonnes)

Waste type	Demolition	Excavation	Construction	Office	Manufacturing/depot	Total
UK	200,580.56	2,646,698.46	235,056.50	19,240.06	34,698.24	3,136,273.82
Europe	2,985.05	86.16	118.12	51.29	945.89	4,186.51
ROW	–	1,012,281.57	10,444.07	3,281.74	9,326.65	1,035,334.02
NA	44,740.75	33,415.00	52,954.46	794.14	305.30	132,209.65
Total	248,306.36	3,692,481.19	298,573.15	23,367.23	45,276.08	4,308,004.00

Spend on responsibly sourced timber (£)

	2011	2010	2009	2008	2007
All timber	24,507,166	12,796,151	9,423,953	16,912,325	4,994,123
FSC timber	10,031,150	4,558,699	6,287,078	4,171,694	2,500,683
Other managed sources	5,940,627	4,993,161	2,112,780	1,635,586	983,253
Total managed sources	15,971,778	9,551,860	8,399,857	5,807,280	3,483,936

2011 spend on responsibly sourced timber by region (£)

	UK	Europe (excl UK)	North America	Rest of World	Total
All timber	14,463,922	1,850,896	7,098,814	1,093,535	24,507,166
FSC timber	8,909,317	354,478	–	767,355	10,031,150
Other managed sources	2,219,258	–	3,721,369	–	5,940,627
Total managed sources	11,128,575	354,478	3,721,369	767,355	15,971,778

Relative global water consumption (m³/£m revenue)

Region	2011	2010	2009	2008	2007
UK	97.8	189.9	111.7	112.0	128.7
Europe	14.4	31.3	5.6	15.4	28.7
North America	87.0	66.3	33.0	34.0	–
ROW	842.7	962.1	1,014.6	951.5	1,069.1
Total	203.1	249.5	190.9	170.4	205.8

Global absolute water consumption (m³)

Region	2011	2010	2009	2008	2007
UK	627,153	1,130,701	726,521	701,183	636,906
Europe	7,868	17,923	2,911	6,641	7,473
North America	221,535	201,859	89,674	76,500	–
ROW	1,414,884	1,400,460	1,281,523	901,478	684,077
Total	2,271,440	2,750,943	2,100,629	1,685,802	1,328,456

ISO 14001

	2011	2010	2009	2008	2007
% of OpCo certified to ISO 14001 or BB GAP	93%	70%	69%	74%	79%
ISO14001 only	69%	70%	69%	74%	79%
Balfour Beatty Group Audit Protocol	24%	–	–	–	–



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