
Corporate responsibility and sustainability report 2008

Full version (pdf format)

Balfour Beatty

Balfour Beatty has a firm and explicit commitment to fulfilling its responsibilities to stakeholders. The long-term success of our business depends on us fulfilling these responsibilities, while continuing to deliver profit through applying our expertise.

This content constitutes our fullest source of Corporate Responsibility Reporting for the year ending 31 December 2008.

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Committed to Responsible Management

Balfour Beatty creates and cares for essential assets – hospitals, schools, road, rail and utility systems and other infrastructure and buildings of all kinds. We are dedicated to managing our business for long-term, sustainable success. This means a reliable, responsible growth model which increases shareholder value in a way that is aligned with the interests of our other stakeholders and of society in general.

In this section:

CR Objectives

Get an overview of the non-financial issues we considered to be most significant to our business in 2008.

CEO/Chairman's Statement

Our senior leadership team are committed to running a responsible business. Steve Marshall and Ian Tyler give their views in their annual statement.

Global issues

A number of significant global issues pose risks and offer opportunity to the Balfour Beatty Group.

Sustainable infrastructure

Information on our plans to deliver sustainable infrastructure by helping to align the interest of profitable markets with the needs of communities and living within environmental limits

Governance and Management

We are committed to the principles of good governance set out in the Combined Code on Corporate Governance and have clearly stated policies and well-developed management processes. We aim to do business with integrity aspiring to the highest standards.

Safety

It is our responsibility to protect our employees and the general public from the potential hazards involved in the creation of infrastructure and the products used in so doing. Safety is our number one priority.

Environment

Balfour Beatty is committed to operating sustainably within environmental limits. Delivering low carbon and resource efficient projects creates savings for our business and is value-adding for our customers. We continue to drive environmental best practice throughout our operations.

People

It is vital that we attract, retain and motivate the best talent to ensure we deliver what our customers and wider society needs. This means supporting and investing in our employees.

Community

In creating and caring for critical infrastructure, Balfour Beatty's core business makes a substantial contribution to community well-being and prosperity. In addition to its physical contribution, the company seeks to also deliver social benefits at every level of its operation.

This is Balfour Beatty's 8th Corporate Responsibility Report, continuing the Group's commitment not only to fulfilling the full range of its responsibilities to all its stakeholder groups, but also to report, openly, on its progress in so doing.

Balfour Beatty's business model continues to be enhanced and developed with the aim of guaranteeing a sustainably successful company for the long-term.

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

Our Business Model

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

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

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

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

Ethics and Values

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

During 2008, we reached a full and final settlement of £2.25m with the Serious Fraud Office in respect of the Bibliotheca Alexandrina project completed in 2001. We also agreed to implement certain compliance measures and appointed the Global Infrastructure Anti-Corruption Centre (GIACC) to monitor and report on our anti-corruption practices. A full account of this settlement has been made available on our Corporate Responsibility website.

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

Safety

We were deeply saddened by the deaths of eight workers across our sites in 2008. Keeping our people and members of the public safe is at the top of our agenda. Over the last 10 years, our safety performance has improved consistently. In 2008 we launched a new safety vision – Zero Harm. Our aim is to eradicate, completely, serious accidents from the business by the end of 2012. Management and staff across the Group have been mobilised towards this goal with a Group Managing Director dedicated solely to leading the programme.

Environmental Limits and Engagement

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

Community Relations

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

People

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

Reporting

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

The scope and depth of our reporting continues to increase. This year, we are, as usual, subjecting our report to external independent assurance. Additionally, we have asked a panel, made up of key Balfour Beatty stakeholders, to provide a commentary on the report. In addition, we are reporting against GRI indicators for the first time, and declare ourselves to be reporting to level C+.

The Future

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

Steve Marshall

Ian Tyler

Industry Impacts

Collectively, the global construction, civil engineering and infrastructure services sectors have significant economic, social and environmental impacts. The sector uses 37% of the world's energy, and generates 40% of its waste and 40% of its CO₂ emissions¹. It represents 10% of the global GDP and accounts for 28% of the world's employment. It consumes 40% of the world's resources, 14%² of the world's water and is responsible for 40%³ of all workplace fatalities.

- 1 Organisation of Economic Co-Operation and Development (OECD) Global Impacts of Construction (www.oecd.org)
- 2 US Green Building Council (Why Build Green? 2008) www.usagbc.org
- 3 www.hse.gov.uk/statistics for UK construction fatalities 2007/8

Trends relevant to Balfour Beatty

Clearly, it is necessary for Balfour Beatty to identify and understand those sustainability factors likely to be critical to the future global success of its business. In 2008, in conjunction with Forum for the Future, we identified the issues that the company should address as priorities:

1. The availability and cost of raw materials. Resources are likely to be increasingly stretched as populations grow and key natural resources dwindle. The critical priorities for Balfour Beatty are in security of supply; the adoption of efficiencies in resource consumption; use of waste as a resource itself; and the adoption of closed-loop systems.
2. The physical impacts of climate change. These are likely to increase over time with corresponding impacts on society from population shifts to changes in resource availability. Investment in adaptation is therefore likely to become very significant, acknowledging that building for climate change is cheaper than dealing with its consequences. Our designs will need to cater for increased temperatures and more intense rainfall events. We will need to find more innovative ways of managing existing assets being impacted by climate change.
3. The economic impacts of climate change. These are likely to steadily increase. New reputational issues are also likely to emerge for those companies not considering their contribution to these impacts.
4. Global shifts. Shifts might include the rise of the Indian and Chinese economies causing severe disruptions to the competitive environment; and major changes to traditional business models. At the same time, a growing population with better education, skills and greater wealth will provide new infrastructure and service opportunities.
5. Energy costs. Higher costs, particularly in respect of the price of oil, could present a major risk. We know oil is likely to become more expensive as supplies begin to run out, but could price spikes create dramatic shifts in haulage, mobility and resource movements? The effects could include a rush to on-site renewables or civil disruption in developed economies such as the UK and US.
6. Water. Water will become an increasingly scarce resource in many parts of the world. The United Nations estimates that 2.8 billion people in 48 countries will face water stress or scarcity conditions by 2025. Its availability; quality, price and use are likely to change over the next decade. This represents a water-use risk; but also an opportunity to supply water, or invest in new water-producing technologies such as desalination plants.
7. Carbon markets and the cost of carbon. By 2020, carbon could be tightly priced globally, regionally or within countries as it will be in the UK from 2010. This could affect both investment decisions and asset values, with carbon sinks such as forests taking on a new financial value. Carbon-intensive activities could become much more costly than they are today and low-carbon markets and novel solutions are likely to present many new opportunities.
8. The availability of finance. This could increasingly vary by sector. Society, politicians or investors will 'pick' favourable sectors changing the size and nature of markets.
9. The availability of skilled workers. Society's expectations of business are increasing. This will effect the perceptions of many communities including Balfour Beatty's workforce. The availability and retention of skilled workers will present important challenges over the next decade.

Opportunities

Although there are many uncertainties over the next decade, this horizon scanning exercise highlights both long-term risks and opportunities. There will be further opportunities for continued growth and development arising from new markets driven by the move towards sustainable development. For example:

- Increased demand for new rail infrastructure and its maintenance as passenger numbers and investment in a sustainable form of travel continues to grow
- Increased demand for more sustainable buildings (the US Green Building Council predicts that the size of the green building market in the US will grow from \$12 billion in 2008 to \$60 billion in 2010)
- Building nuclear power plants in the UK as part of the mix to move away from burning fossil fuels and reduce emissions of CO₂
- Upgrading power transmission grids to harness renewable energy technologies such as wind and tidal power
- Carbon capture and storage at power generation plants
- Continuing demand for more sustainable social housing, schools and hospitals, as populations continue to grow

Tackling some big issues

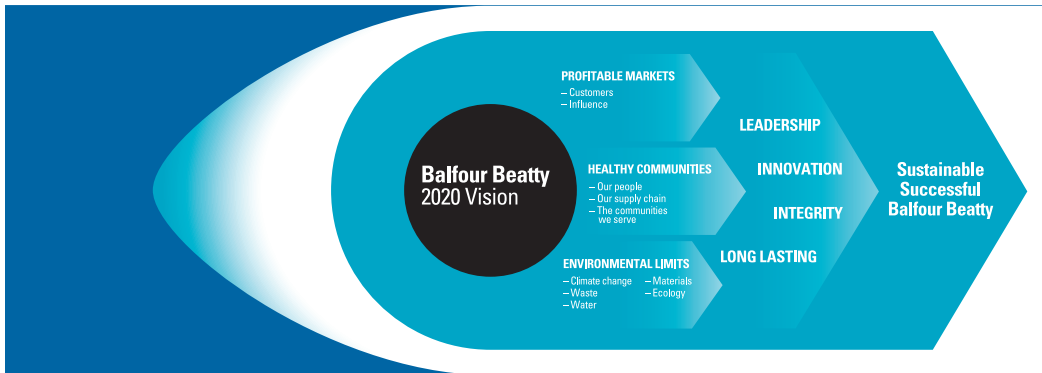
In addition to identifying trends likely to impact our business in the future, we are also active in making specific contributions in tackling global issues.

We are members of Transparency International, the organisation dedicated to the eradication of corruption and bribery in world business and participate in the UK Anti-Corruption Forum, the UK construction body which addresses our sector in particular. We aim to keep our employees informed of the latest thinking in anti-competitive practices.

We use our influence as a supporter of Engineers Against Poverty, the international charity, to work towards alleviating poverty in low income countries.

We are also a supporter of CRASH, which combats homelessness and of the Prince's Trust and Action for Children, which tackle disadvantage amongst the young.

Central to our vision for sustainability is playing our role in helping achieve alignment between the sometimes competing interests of profitable markets with the needs of communities and living within environmental limits.



Developing our thinking on Sustainability

Sustainable infrastructure is the sum of the many processes through which a profitable and competitive industry delivers built assets to enhance the quality of life and meet stakeholder expectations.

The industry has an opportunity to transform the way that infrastructure is created, by rethinking the way it designs and uses resources to create and maintain assets that meet the needs of society.

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

Translating this into reality involves designers, contractors and suppliers working together to embrace new ideas and technology and to generate innovative solutions.

Sustainable construction has focused, historically, on meeting the needs of building and civil engineering schemes such as BREEAM and CEEQUAL in the UK and LEED in the US. These schemes clearly have their role in moving the industry towards delivering more sustainable projects. However, we believe that something far more fundamental is required to ensure that Balfour Beatty itself transitions to true sustainability. Our approach must encompass the characteristics of a growing, international business, with a constantly changing project portfolio and the reality of a Group in which considerable autonomy is given to our operating companies.

It needs to encompass all aspects of our business and extend across the whole project life cycle. During 2008, we worked closely with Forum for the Future (www.forumforthefuture.org), to develop and challenge our thinking on sustainability, understand the risks and opportunities it could present to our business, develop a forward looking view of a sustainable Balfour Beatty in 2020 (our vision) and create a plan of how to realise this vision and embed sustainability into the day to day operations of the company (our roadmap).

The Purpose of our Vision and Roadmap

Balfour Beatty aspires to a leadership position in sustainable development in order to deliver strong, reliable growth in long-term shareholder value. During 2008 and the early part of 2009, we developed a Sustainability Vision for 2020, and a detailed Roadmap for all operating companies to follow. We want to ensure that we consistently deliver high professional standards across the Group, and strive to be ambitious in what we can achieve as a sustainable business.

Our Vision and Roadmap is focused on three key areas:

1. Creating and developing long-term relationships, with our customers
2. Contributing positively to the communities in which we work
3. Minimising the impact of our operations on the environment

Our vision and roadmap

How were the Vision and Roadmap developed?

There were three main components to the development of the Vision and Roadmap:

1. Identifying and prioritising the key trends and global issues related to sustainable development that could present opportunities or risks to the company over the next decade. From the availability of skilled labour to the cost of carbon, these issues were fed into the vision to make sure it is achievable in the long term.
2. Developing a Vision Statement outlining where Balfour Beatty wants to be in 2020. This is our declaration of the contribution we plan to make to sustainable development. Central to the vision is playing our role in helping achieve alignment between the current, sometimes competing interests of profitable markets, the needs of communities and living within environmental limits. Our vision statement is available to download as a PDF from our corporate responsibility website.
3. Creating a Roadmap – a strategic action plan that sets out the steps we expect our operating companies to take over the coming years to achieve this vision.

The roadmap details where we aspire to be by 2020 in 10 focus areas covering:

- Customers
- Influencing Markets
- Our people
- Our supply chains
- The communities we serve
- Climate change
- Waste
- Water
- Materials
- Ecology

28 key issues have been identified within these 10 focus areas. For each issue, the Roadmap identifies three levels of progress:

- Minimum expectations by 2012 (mandatory first steps for all operating companies)
- Excellence for 2012 (optional for those operating companies wishing to pursue best practice on a given issue)
- Our aspirational goal for 2020

An extract for waste is reproduced below:

Environmental Limits – Waste

Reducing the waste we generate and managing waste as a resource

| | 2012 Expectations | 2012 Excellence | 2020 Vision |
|-----------------------------------|---|---|---|
| Reducing Waste to Landfill | <ul style="list-style-type: none"> • Monitor waste quarterly across our facilities/sites and projects under our control. • Provide recycling facilities for all our sites and facilities. • Achieve a minimum 50% normalised reduction of waste to landfill against a 2010 baseline. | <ul style="list-style-type: none"> • Monitor waste quarterly across our facilities/sites and projects under our control. • Implement innovative solutions and industry leading practices to minimise waste over the project life cycle. • Achieve a minimum 80% normalised reduction of waste to landfill against a 2010 baseline. | <ul style="list-style-type: none"> • We embed zero waste thinking in all aspects of our operations and our supply chains. • We generate zero waste to landfill from our projects. |

What Next?

A programme to communicate with and gain the appropriate level of understanding amongst our operating companies of the Vision and Roadmap, including their role in making it happen has already begun. We expect this initial communication phase to be completed by the end of 2009. Thereafter, we intend to publish the key commitments and targets on which we will be focusing in the run up to 2012 and in realising the vision in 2020.

It will be up to each of our operating companies to determine how these targets will be applied to their business. The Roadmap will be periodically reviewed and updated over time. What is identified as excellence in 2012 could well become the minimum expectations for all operating companies worldwide as we continue on our journey for a truly sustainable business in 2020.

We manage our responsibilities in a number of practical ways at all levels of our organisation. This section describes the principles we have established for CR management, as well as more detail about how these are applied in practice.

In this section:

About our business

[Context about each of the territories and sectors in which Balfour Beatty operates](#)

Principles and policies

[Information on the key codes and values we use to govern our business and behaviours](#)

CR and governance

[An overview of the internal bodies and committees that govern our decision making on responsible behaviour.](#)

Risk management

[A description of our formal risk management framework](#)

About our reporting

[More about the scope and nature of our corporate responsibility reporting.](#)

Stakeholder engagement

[Detailed information on how we define and engage with the groups and networks that affect and shape the success of our business.](#)

Independent Audit

[How we check our management processes are working effectively.](#)

About Our Business

The company is listed on the London Stock Exchange and headquartered in London. In addition to our operations in the UK, we have significant operations in the US, Continental Europe, Middle East and Far East. We employ 40,000 people and achieved revenues of c£9bn in 2008.

Balfour Beatty's twenty-six operating companies are grouped into four principal sectors of activity.

Building, Building Management and Services

Balfour Beatty companies are international specialists in the design, construction, equipping, maintaining and management of buildings and selected aspects of their internal environment.

The component businesses in the UK are Balfour Beatty Construction, Mansell, Balfour Kilpatrick, Balfour Beatty WorkPlace (formerly Haden Building Management) and Haden Young. Balfour Beatty also operates in the US as Balfour Beatty Construction and Heery International.

Civil and Specialist Engineering and Services

Balfour Beatty companies are leading providers of civil and other specialist engineering, design and management services for major infrastructure projects, utilities, ground engineering, power transmission and distribution, road management and maintenance.

Component businesses are Balfour Beatty Civil Engineering, Balfour Beatty Infrastructure Inc (US), Balfour Beatty Infrastructure Services, Balfour Beatty Management, Balfour Beatty Utility Solutions, Balfour Beatty Ground Engineering, Dutco Balfour Beatty 49% (Dubai), Gammon Construction 50% (Hong Kong and Singapore) and Balfour Beatty Sakti 49% (Indonesia).

Rail Engineering and Services

Balfour Beatty companies are international leaders in the design, construction, equipping and maintenance, management and renewal of rail assets and systems.

Component businesses are Balfour Beatty Rail Projects, Balfour Beatty Plant and Fleet Services, Balfour Beatty Rail Services, Balfour Beatty Rail Systems and Solutions, Balfour Beatty Rail International which comprises businesses throughout Italy, Sweden, Norway, Malaysia and Spain, Balfour Beatty Germany and Austria and Balfour Beatty Rail Inc, operating in the USA.

Investments

Balfour Beatty Capital is a leading promoter of, and investor in, major infrastructure assets in the UK, including healthcare, education and transport. It leads the process from identifying the opportunity, through bidding up to financial close.

Balfour Beatty Capital also provides assistance in bidding for assets overseas in the US, Europe and Singapore. The company has offices throughout the UK and is committed to further increasing its investment base in Public Private Partnerships (PPP) and Private Finance Initiative (PFI) concessions, as well as other infrastructure assets.

Balfour Beatty Communities, acquired in 2008, provides family housing to servicemen across the US under 50-year PPP concession contracts. It adds significant value to its core contractual requirements through its LifeWorks programme.

More information on our operating companies can be found online at www.balfourbeatty.com.

Principles and policies

Balfour Beatty first produced a coherent set of Company Principles in 1986. Since then they have been regularly reviewed and updated, most recently in 2006.

Two companion codes were also developed at the same time.

Business Conduct Guidelines explain to all employees what is expected of them in terms of behaviour, procedures and attitudes.

All operating companies are expected to apply the company principles. In addition, each operating company is expected to develop an approach to corporate responsibility that is relevant to its business environment and markets.

Approximately two-thirds of our UK employees received on-line training in respect of these guidelines in 2008.

Stakeholder Codes of Practice sets key operating principles and minimum standards for the Group's operating companies when engaging with employees, customers, suppliers and the wider community.

Together these documents constitute a comprehensive system of ethical governance.

In 2008, an exercise was undertaken to identify and define the Group's core values. In 2009 these values will be widely communicated internally and externally and will be the subject of an appropriate e-learning programme to ensure they are embedded across the Group. These values are:

- Integrity – always doing what is right
- Teamwork – adding value by working together
- Excellence – striving to improve and exceed expectations
- Respect – appreciating others and caring about wider communities

Policies

Balfour Beatty has clearly stated and communicated policies for a number of important non-financial issues. These set out the requirements applicable to all the Group's operations:

- risk management
- health and safety
- environment
- human rights
- drugs and alcohol
- equal opportunities
- whistle blowing
- share dealing

Our key policies are available to download online at www.balfourbeatty.co.uk/bby/responsibility:

- Core principles
- Business conduct guidelines
- Stakeholder codes of practice
- Health and safety policy
- Environmental policy
- Risk management policy

Within this overall framework, operating companies are required to develop specific policies and practices relevant to their particular circumstances.

The Board

The Board sets policy and takes responsibility for Balfour Beatty's performance in safety, health, the environment, business ethics, risk management, human rights and other social issues. At each Board meeting, directors receive and consider a report on health, safety and environmental issues prepared by the Group Safety, Health and Environment Director.

Business Practices Committee

The Business Practices Committee is a sub-committee of the Board, chaired by a non-Executive director of Balfour Beatty plc. The Committee meets at least twice a year to monitor and review, on behalf of the Board:

- The Group's core business principles and commitments
- All aspects of corporate responsibility including health and safety, environmental, legal duties, people, community and ethical issues.

It is authorised to seek information from any employee and obtain independent advice.

The committee's terms of reference are available to download as a PDF from www.balfourbeatty.com/responsibility/management.

The role of the Chief Executive

The Board holds the Chief Executive accountable for all aspects of corporate responsibility including health and safety, environmental, legal duties, people, community and ethical issues throughout Balfour Beatty plc.

The Chief Executive or relevant Group Managing Director personally conducts a review of the most serious events – fatalities and other serious safety, quality or environmental incidents to ensure that lessons are learnt and transferred to the operating companies.

Operating companies

Our operating companies work in a decentralised and devolved way, but within the Group principles and policy framework.

Operating company Managing Directors and their Boards are responsible for communicating and implementing Group policy within their sphere of operations, and for legal compliance.

Each operating company has nominated directors with specific interests in safety, health and the environment, supported by qualified safety and environmental advisers. Best practice is also shared through Group conferences and Group health and safety and environmental forums.

The identification, assessment, pursuit and management of opportunities and the associated risks is an integral and inseparable part of management skills and processes. These are a core element of activity throughout the Group and, as such, are especially important for stakeholders.

As referred to in the Directors' report in our Annual Review, a Group-wide risk management system underpins and assists in the delivery of this principle.

The system is founded upon a process that drives perceived opportunities and risks progressively, against formal impact and likelihood rating criteria, up through the management chain for review and challenge.

In addition to a discrete review of each individual opportunity and risk, various exercises are carried out at Group level, three times a year, to identify key issues facing the Group as a whole, the changing risk profile facing the Group, and emerging issues that may affect the Group, as well as to assess if the aggregation effect of lower-level risks is material. Such reviews identify the extent to which further initiatives are required, for example, to develop specific additional risk management capability and mitigation measures. The output from these reviews is contained in reports to the Board and Audit Committee.

Principal risks and risk management

For more information on each type of risk, please see our Directors' Report and Accounts, which is available online.

| Risk group | Type of risk |
|------------------------------------|--|
| External | <ul style="list-style-type: none"> • Economic environment • Increased customer expectations • Commercial counterparty solvency • Legal and regulatory |
| Strategic | <ul style="list-style-type: none"> • Bidding • Joint venture • Acquisition • Investment |
| Organisation and management | <ul style="list-style-type: none"> • Growth • People • Business conduct • Information technology • Information security |
| Financial and treasury | <ul style="list-style-type: none"> • Treasury risk management • Finance and liquidity • Treasury counterparty • Contract bonds • Currency • Interest rate • Pension |
| Delivery and operational | <ul style="list-style-type: none"> • Performance • Supply chain • Health, safety and environmental |

Our Risk management policy is available to download from www.balfourbeatty.com/responsibility.

Scope

This is Balfour Beatty's eighth annual Corporate Responsibility report and covers our worldwide operations for the twelve months ending 31 December 2008. Our previous report was published in May 2008, covering our fiscal year 2007. This year's report has been aligned to relevant sections of the Global Reporting Initiative (GRI) Framework. We believe this year's report reaches the standards required to be classified as CR reporting.

As a world-class engineering, construction and services group, which serves customers for whom infrastructure quality, efficiency and reliability are critical, we endeavour to build the principles of sustainable development into all aspects of our business.

This means doing business with integrity, aspiring to the highest levels of standards of safety and health for people, managing our environmental impacts and being committed to delivering on our full range of social responsibilities.

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.

Subcontractor 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 UK and European operating companies and for those joint ventures where we have management control. Our US businesses are progressing towards reporting environmental performance to the same standards.

We report on employee data for all our wholly-owned businesses worldwide.

There have been a number of changes to the structure of Balfour Beatty since we produced our last report and this is reflected in the content.

During 2008, the Group made a number of acquisitions. In March, we acquired Dean and Dyball, a leading UK regional contractor. In May, this was followed by the purchase of GMH in the US, a leading military PPP accommodation business. In the same month, Balfour Beatty acquired Blackpool International Airport in the North West of England. In June, Barnhart, a leading Californian construction management company was added to the Group, followed closely by Schreck Mieves, the German rail engineering group. Later on in the year, Colledge, Trundle and Hall, the automatic energy control system company also joined the company.

Our projects contribute to improving the lives of people and their communities. Understanding their expectations is critical to our future as a business.

Independent external assurance of our report

A key component of the reporting process has been external assurance to verify data and claims made within the report. For the period 2001 – 2007, this verification activity was undertaken by csnetwork and then Sd3. This year, we have taken a new approach to assuring our report. For the first time, we have established a stakeholder panel, whose role is to provide an external and independent opinion of Balfour Beatty's approach to CR / Sustainability and the reporting of its non-financial performance. This process has been facilitated by URS Corporation Ltd (URS). We believe this approach is integral to improving our reporting processes and in moving towards best practice in corporate responsibility reporting. URS presented their assurance findings to the stakeholder panel, aligning their work with requirements of the AA1000 assurance standard.

See the section about Assurance for more on the stakeholder panel's work.

Subsidiary Reporting

Three of our subsidiaries publish their own, separate Corporate Responsibility Reports. These can be accessed via the homepages of each operating company:

- Mansell
- Gammon Construction
- Balfour Beatty Capital

Stakeholder Engagement

We believe that engaging with our stakeholders systematically and proactively is an essential element in the continuing success of the Group. Maximum standards and best practice for the way our operating companies engage with employees, customers, suppliers and the wider community are detailed in our Stakeholder codes of practice.

Balfour Beatty runs an active investor engagement programme involving regular roadshows and one-to-one meetings.

There is a comprehensive corporate and operating company-based communications and consultants programme aimed at ensuring that all employees have access to the information they need.

Most of the Group's operating companies run regular customer attitude and opinion surveys. A substantial proportion of the Group's business is conducted with organisations with which its operating companies have long-term relationships.

An increasing proportion of the Group's supplier base is retained in long-term relationships based on the compatibility of their values and behaviour as well as product quality and price.

Over half of Balfour Beatty's work is carried out for governments. The Group seeks active and positive relationships with governments, their officers and advisers and relevant industry regulators to ensure its policies and activities align with their key requirements.

It is Balfour Beatty's policy that all of its major projects have a dedicated community relations team. Typically, major projects will be preceded by exhibitions, and regular newsletters and letter drops will keep interested parties informed at key project milestones. There will be regular visits to schools and other local institutions.

Balfour Beatty plays a part in tackling key industry issues through its membership of organisations such as Engineers Against Poverty and Transparency International. It has a range of corporate programmes aimed at improving the life prospects of disadvantaged young people.

Investors

We seek to provide shareholders with improving returns over the long-term and the information they need to make well-informed investment decisions.

We run an active shareholder engagement programme involving regular roadshows and one-to-one meetings. During 2008, senior executives held approximately 100 meetings with shareholders, representing, in aggregate, approximately 80% of the ordinary issued share capital. All financial presentations are webcast in order to ensure that they are accessible to all shareholder groups and other interested parties.

Our registrars, Capita, have a facility that enables Balfour Beatty shareholders to access details of their shareholding over the internet, subject to complying with an identity check.

For every shareholder that registers to receive shareholder communications electronically, Balfour Beatty will donate £1 to Climate Care.

Climate Care is a not-for-profit organisation that funds global sustainable energy and forest restoration projects, which reduce greenhouse gases. As well as cutting emissions, Climate Care's projects also help to improve people's standard of living and to protect wildlife habitats. For more information on the organisation, visit www.climatecare.org.

We are a long-term supporter of the charity ShareGift which offers a solution to those shareholders who have small holdings of shares which are otherwise uneconomic to sell, by accepting these shares as donations, selling them when possible and using the proceeds to make donations to a wide range of other UK charities. We regularly promote this free service to shareholders.

In relation to fraud prevention, we have also provided shareholders with clear guidance regarding the measures that they should take, both to protect themselves from unauthorised firms offering unsolicited "investment advice" who have targeted UK investors, and from the growing risk of identity fraud.

Employees

Balfour Beatty seeks to utilise the full talents and skills of all its people through effective selection, training and development. It also aims to create a safe, healthy, challenging, rewarding, participative and fair working environment for all employees.

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

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

A series of guides have been produced and distributed throughout the Group to define our objectives and expected behaviour.

Business conduct guidelines explains, in detail, required behaviour. In 2008 the majority of UK Group employees received training on these guidelines to ensure that they are fully embedded in the organisation.

Stakeholder codes of practice explains how operating managers are expected to manage their relationships with all key stakeholder groups, including their employees.

These documents are available to download at www.balfourbeatty.co.uk/bby/responsibility

Communications

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

Individual businesses use a variety of methods to communicate key business goals and issues to employees and also consult and involve their employees through local publications, briefing groups, consultative meetings, training programmes and working groups to assist the process of continuous improvement in the way they operate and do business. Regular publications inform employees of major business and technical achievements. Most of our UK-based businesses have either attained or have committed to attain the UK Investors in People standard.

Employee attitudes and opinions

Surveys of employee attitudes, needs and opinions are conducted in the great majority of our operating companies. The first Group-wide employee survey was undertaken in 2007 and 2008.

Pensioners

We have an assistance network in place for all our pensioners needing help and advice. Entirely staffed by former employees, this provides a valuable safety net for some pensioners. We also hold regular roadshows around the UK for pensioners and keep in touch via a twice-yearly magazine.

Training our people

We are improving the process of training all our people in our ethical standards.

Customers

We seek to work closely with customers in long-term relationships, to have a thorough understanding of their needs and processes and to achieve outstanding levels of customer satisfaction.

Most of the Group's operating companies run regular customer attitude and opinion surveys. A substantial proportion of the Group's business is conducted with organisations with which its operating companies have long-term relationships.

Our code of practice and minimum standards for managing relationships with customers across the Group was launched in 2005.

In some operating companies customer consultation is systematised. For example, the Mission Alignment Process at Balfour Beatty Construction US ensures that customers requirements and views are consistently put at the centre of project management and delivery.

Communities

We seek to pursue our own business objectives while at the same time aligning our interests with those of the communities in which we operate.

Our corporate principles include a clear commitment to contribute positively to all the communities in which we operate. We have developed a number of national and local initiatives which reflect our commitment and which are, increasingly, targeted at improving the life prospects of young people, particularly those suffering from disadvantage. We have been a member of Business in the Community since its inception.

It is our policy that all of our major projects have a dedicated community relations team. Typically, major projects will be preceded by:

- exhibitions;
- newsletters; and
- letter drops.

We organise regular visits to schools and other local institutions. Key stakeholders are offered direct access and when necessary, there is liaison with local police and emergency services and help lines.

Suppliers

We seek to create long-term partnerships with suppliers based on compatible systems and principles.

An increasing proportion of the Group's supply base is retained in long-term relationships based on the compatibility of their values and behaviour as well as product quality and price.

Balfour Beatty Construction Northern's supply chain programme was launched in 2007 and seeks to embed sustainability in its supply chain. Their sub-contractor health, safety, environmental and quality conditions have been amended to include sustainability, their pre-qualification questionnaires now require evidence of long-term sustainability targets and, once accepted as an approved supplier, monthly key performance indicators are used to track and drive performance.

Opinion formers

We seek to operate fully within legal and regulatory boundaries.

Over half of Balfour Beatty's work is undertaken for governments. We seek active and positive relationships with both our public sector customers and those departments and organisations which regulate the activities of our sector to ensure that our own policies and practices meet all their key requirements. We engage in active dialogue with relevant non-governmental organisations (NGOs) and aim to be open in all relationships. We are a member of the Institute of Business Ethics and share our learning and experiences with other organisations.

Independent Audit

Operating company management systems are subject to external audit through the Balfour Beatty Group Audit Protocol (BBGAP). The protocol assesses conformance against Group expectations and external management system standards (ISO 9001, OHSAS 18001 and ISO 14001) as well as practical implementation of controls at project or site level. DNV undertakes these audits across our UK operations and other parts of Europe. ERM have commenced a similar programme for our US operations. Read DNV's assurance statement for the 2008 audit programme here:

DNV Assurance Statement for BBGAP

Balfour Beatty engaged 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 OpCo (Operating Company) management teams that SHEQ is being managed and delivered effectively to a consistently high level across all of its businesses;
- using a scored and quantified audit system that will support accurate benchmarking, both internally and between businesses, and drive continuous improvement;
- to maintain certification to OHSAS 18001, ISO 14001 and ISO 9001, as a by-product of the BB GAP audit.

Process

DNV has assessed the SHEQ performance of Balfour Beatty's UK OpCos and JVs by conducting scored BBGAP audits of varying duration on a twice yearly frequency.

Findings

A series of management systems are in place across the OpCos and JVs with all audited companies having ISO9001, ISO14001 and OHSAS18001 certification, the majority of which is provided by DNV. For the most part the management systems are judged to be effective since all companies achieved a minimum of Level 3 for Process and Level 3 for Implementation (this is the minimum required for certification against ISO9001, ISO14001 and OHSAS18001). Furthermore, over 70% of the organisations audited achieved a Level 5 for Process with 50% of the organisations also achieving a maximum Level 5 for Implementation.

Conclusion

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

The continued commitment to BBGAP, and the focus this year on the split between Process and Implementation questions, has resulted in some identified key areas for improvement in the OpCos. Accordingly, The BBGAP process has been seen to be driving continuous improvement within the business.

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.

Jahn Henry Løvaas

Director North and Western Europe

DNV Industry

October 2008

Ensuring Safety and Health

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

In this section:

Highlights and Approach

Maintaining a first-class safety culture is key to our business. We take a structured, risk-based approach to health and safety across the Group.

Safety Management

We have a well-established Group-wide framework for managing, tracking and auditing health and safety performance across our operations:

Key Hazards

We have identified the hazards in our work that pose the most significant risks in Balfour Beatty and established programmes to eliminate or mitigate them across our business:

Safety Targets and Performance

Zero Harm across all our businesses by 2012 means zero deaths, zero injuries to members of the public and zero ruined lives among our people.

Occupational Health

We pay particular attention to occupational health risks to our people by improving the health screening and control of those activities that have the potential to impact on their health.

Safety Awards

We continue to be recognised for outstanding health and safety performance worldwide.

Safety Training and Competency

High levels of training and demonstrable competency in health and safety for our people are the foundations of a high performance safety culture.

Accident Frequency Rate

Significant progress has been achieved in reducing Accident Frequency Rates (AFR) across Group companies despite continuing increases in employee numbers.

Overall safety performance has improved:

- by 5% since 2007
- by 67% since 2002

The AFR for wholly owned businesses improved by 3% in 2008 compared to 2007. In all of our regions we performed better than available industry benchmarks.

Since 2002:

- Overall AFR is down 67%, worker numbers up 158%.
- UK operating companies AFR down 48%, worker numbers up 93%.
- North American operating companies AFR down 53%, worker numbers up by 121%

The combined AFR for operating companies plus significant joint ventures has improved by 5% from 0.21 in 2007 to 0.20 in 2008 and a 67% improvement overall from 2002.

Safety Management Audit

All businesses, with the exception of the US and new acquisitions, are now certified to the internationally recognised safety management standard OHSAS 18001. Our Group Audit Protocol sets more testing standards and is independently audited. The US operating companies have developed an audit protocol which is in its pilot phase for third-party assurance.

Fatalities

- Three fatalities occurred in our wholly owned operating companies; one in the UK, one in Australia and one in Chile.
- Five further fatalities occurred in our joint venture businesses; one in Dubai, one in Hong Kong, one in Macau, one in Singapore and one in Indonesia.

Zero Harm Vision

On 1 October 2008, Ian Tyler, Group Chief Executive launched our new Zero Harm vision across all Balfour Beatty operating companies. Ian Tyler affirmed at the launch that "We will not risk doing harm, so we will not accept any target other than Zero." The goal is to achieve, by 2012:

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

That means: no seriously disabling injuries, no long term harm to health, and aiming for zero AFR while we achieve below 0.1. "All our people" means those employed by us or by any subsidiary, sub-contractor or partner working anywhere in the world.

The challenge ahead will be achieved by focusing on six pillars:

- leading
- simplifying
- re-thinking
- involving
- learning
- tracking

It will be achieved by a commitment to eliminate fatal risks, eliminate hazards, maintaining Zero Harm day to day, keeping the public safe from harm, keeping all our people healthy, working with our customers and Making Safety Personal.

The previous targets of zero fatalities, zero permanently disabling injuries and an AFR < 0.2 by end of 2010 remain as a milestone on the journey to Zero Harm. The four areas of the previous safety strategy (public safety, occupational health, design for safety and leadership/worker engagement) remain as key elements within Zero Harm.

Safety Management

Our Group-wide framework for managing health and safety is now well established. At corporate level, it consists of our principles and policy for safety, and our Expectations for Managing Health and Safety. These are supported by a number of policy and guidance documents on issues common to many operating companies, for example accident investigation, and managing road risk.

Each operating company has its own formal safety management system, which deals with the hazards relevant to its business. As well as meeting exacting corporate requirements, we expect our operating companies to achieve certification to OHSAS 18001, the internationally recognised standard for safety management. This is achieved by independent audit, and in nearly all cases we use Det Norske Veritas (DNV) as our independent certifying body.

A new Group Audit Protocol for our US businesses was developed in 2008, and a pilot audit held within each of the four US operating companies. Further development and application of the protocol is planned for 2009.

Health and Safety Council

A series of Health and Safety Forums encompassing all operating company managing directors are now well established. Their function is to review performance, launch new initiatives, and ensure good practice is shared across the Group.

Safety audit

Safety audit is a key element of safety management. We subject our safety management systems to both internal and external audit scrutiny. External audit against the international safety management standard OHSAS 18001 is required in all UK businesses, and is being extended to our overseas businesses too:

- At present all UK businesses hold certification to OHSAS 18001
- Our rail operations in Germany, Malaysia, Italy, and Sweden maintained certification to OHSAS 18001
- In Hong Kong, our joint venture Gammon Construction also maintained certification to OHSAS 18001.

All operating companies maintain programmes for internal audit and inspection, to monitor implementation of operational controls on site. Three operating companies have adopted advanced electronic audit systems that provide scored results for operational control.

We are in our fourth year of our Balfour Beatty/DNV joint audit protocol which encompasses our Group Expectations for Managing Health and Safety, the Group Framework for Opportunity and Risk Management, OHSAS 18001, ISO 9001 and ISO 14001. More content on Independent Audit is available in the Governance section of this online report.

Tr@ction

Balfour Beatty's Tr@ction system offers web-based, online reporting of accidents and incidents of all types (safety, health, environment, quality, security, complaints etc). Further advantages include a common underlying causal analysis and a powerful facility to track actions from investigations, audit and risk assessment.

Additionally, some operating companies use Tr@ction to monitor complaints, occupational health referrals, service strikes, insurance claims and other information.

Accident Investigation

During 2008, we continued to conduct training in accident investigation that incorporates a powerful system of causal analysis. Root causes are recorded in Tr@ction so enabling common issues to be identified across the business.

The system is applied to all fatalities and to high potential accidents and near misses. This offers good insight into systemic causes and provides the opportunity to remedy these before injuries occur. By end 2008, over 700 senior managers and Principal Investigators attended one and two day courses in Accident Investigation in the UK, and other parts of the world.

Task Groups

Several cross-operating company task groups have been active during the year in areas of common interest:

- A group has been established to review working with mobile elevated work platforms (MEWPs), focusing on procurement standards, training and emergency operation. A new MEWPs policy and guidance note was issued for Balfour Beatty operating companies in April 2008.
- A utility service strikes working group has successfully developed policy, guidance and common training material to manage the risk from service strikes.
- A tower crane working group had produced company-wide guidance on the procurement, erection, use and maintenance of tower cranes and continues to debate industry concerns.
- A driving safety working group had produced company-wide guidance on managing road risk and an employee leaflet aimed at addressing the behaviour of individual company drivers.

In earlier years, cross-operating company task groups have:

- reviewed new legislation and standards on temporary traffic management
- developed training on asbestos management, and:
- recommended an approach for managing the risk of hand arm vibration syndrome (HAVS).

Key Hazards

This section includes more information on the hazards we feel pose the most significant risks to safety in Balfour Beatty, and how we're managing them.

Public safety

Many of our businesses have an increasingly close interface with the general public. We are aware of our responsibilities to operate so as to ensure their safety. Awareness of public interfaces is high and public risk remains a key focus across the Group, especially in the rail, highway, hospital, school and utility sectors. Indeed, Zero Harm specifically maintains the focus on public interfaces.

Continued effort is put into improving risk control – public risks are identified in live risk registers, communicated throughout the project stages, highlighted in risk assessments and monitored through audits, regular safety inspections and safety tours. DNV maintains public risk as a focus area in all their audits of Balfour Beatty projects. Operating company reporting of incidents with the potential for public harm is improving, and is a mandatory reporting requirement for 2009 onwards.

During 2008, 204 (195 in 2007) injuries to members of the public as a result of our works were reported, most of which were minor slips, trips and falls.

In 2008 operating companies continued to maintain the focus on improving the control measures of those activities that cause a potential risk to public safety.

Managing risk: safety by design

Our aim is to design both permanent and temporary works so that health and safety risks are eliminated or reduced. For example, pre-fabrication off site in a factory environment can lead to better quality, faster construction, reduced costs and much safer work activity on site. Risks are designed out at source – for both workers and the public.

This focus on design is reflected in our operating companies. Several hold in-house forums to enable design teams to share innovation and best practice.

The approach taken by Balfour Beatty Construction continues to be a success in 2008. Along with Architects White Young Green and BDP a "Safety in Design Forum" was established. The aim of the design forum is to develop a common hazard identification management and tracking system as a proactive alternative to the common approach to designer's risk assessment.

Haden Young and Balfour Kilpatrick continue to invest in pre-fabrication and modularisation. The reductions in build times, numbers of workers exposed to risks and elimination of common hazards are rewarding their commitments.

Safety by design can be a simple affair. In Germany, Balfour Beatty Rail replaced the need for mobile ladders on track by developing small flexible vehicles to access the track. Additionally, to reduce work at height they have started to pre-assemble overhead catenary components on the ground. To eliminate the traditional blind spots on site dumpers, Balfour Beatty Civil Engineering has developed a series of sensors that fit on the front of the dumpers.

Work at Height

Following on from the success of our safety by design good practice DVD produced in 2006, in 2007 Volume II was developed with the focus on eliminating the requirement to work at height or reduce the risks associated with work at height through design and innovation. Innovations included vacuum lifting, modular cladding systems and vehicle edge protection systems.

In 2008, a continued effort was put into tackling the inherent risks from using mobile elevated work platforms (MEWPs). Balfour Beatty introduced a policy and guidance note for procurement of MEWPs in April 2008, in order to raise the safety standard of MEWPs permitted on our sites.

Lifting Operations

The control of lifting operations continues to be a prime concern to some operating companies, and like similar years accounted for the majority of notifiable dangerous occurrences. In 2008, a total of 12 (15 in 2007) dangerous occurrences were as a result of overturning or failure of lifting machinery/equipment.

Lifting operations are supervised by trained and nominated crane co-ordinators, and each lift is controlled by an appointed persons and certificated slingers. Further training has been carried out for crane supervisors and appointed persons in safe lifting procedures in a number of operating companies.

A cross-operating company task group, appointed in 2007, continues to focus on the operation and procurement of tower cranes on our sites.

Road safety

Road safety continues to remain a significant issue. We are concerned about both road traffic collisions and traffic management around our work sites, as these pose risks to both our workers and to third parties. There have been nearly 3000 road incidents in the last three years – which encompass both worker and third party events. In 2008, one worker was killed in a road event in Chile, when the work vehicle came off the road and hit a tree.

We continue to have several initiatives in place to address this risk. A cross-operating company task group, formed in July 2006, developed and issued minimum standards for managing driving safety and a set of personal driving standards aimed at employees. The number of workers killed by road incidents has dropped since then, but we cannot be complacent and continue to be vigilant.

Balfour Beatty Utilities Solutions and Balfour Beatty Plant & Fleet Services both actively support BRAKE the road safety charity foundation. Newsletters and safe driving merchandise are shared out amongst employees.

Read more about our efforts to improve road safety in 2008 in the case studies section of this online report.

Safety in the vicinity of roadworks

Across all of our road construction activities we are constantly searching for ways in which we can improve temporary traffic management and ways in which we can enhance the public's journey safely through and beyond them.

Projects designed to alleviate road congestion inevitably put workers in close proximity to moving traffic. Third party accidents in the vicinity of our highway works remain a concern, but have decreased over the last few years due to be an area of increased focus by Balfour Beatty companies across the world. Each year there are a number of fatal accidents involving third parties who fail to negotiate the highway safely, despite correct temporary traffic management arrangements.

Managing sub-contractors

Managing sub-contractors continues to be an important issue, which is given considerable attention, including:

- stringent health and safety pre-qualification and competence criteria
- obtaining director level commitment to safety from sub-contractors
- publication of a project charter with detailed safety standards and agreed compliance mechanisms
- developing an integrated approach with major sub-contractors
- identification of key risks of sub-contractors' work at pre-start meetings
- formal appraisal of sub-contractor risk assessments and method statements
- assistance in health and safety training for sub-contractors
- joint review of safety management arrangements with key sub-contractors
- setting minimum expectations for critical issues
- an escalation process to directors of sub-contractors, for resolving persistent project issues
- systematic safety audit of subcontractors
- supplier forums, to share knowledge and promote common practices greater co-operation.
- the facility to remove poor performing suppliers.

Utility service strikes

The risk of coming into contact with buried or overhead services is a recurrent hazard for many operating companies.

We have had a strong focus on this in recent years, supported by full reporting of all strikes. We have improved the quality of reporting of utility strikes. Those involving electricity are recorded separately from other utilities.

In 2008, working with electricity was considered the most significant potentially fatal hazard. Although the incidents don't often result in serious injury, the potential for serious injury as a result of striking underground services remains.

Whilst some operating companies have been enhancing skills training for those operatives who work on or near to underground or overhead services, others have been trialling new technology including ground penetrating radar (GPR), excavator mounted cable avoidance scanners and scanners displaying approximate depths.

As a result of the actions above, together with the increased attention placed on the risk from service strikes, we have seen a steady but continual improvement in performance.

Employee Consultation

Where individuals are reluctant to accept safety representative duties, employee representatives are invited to workplace and senior managers' health and safety committees.

Formal worker union representatives are in place in most of our operating companies across our global operations. Other methods of consultation in place include non-union representation and direct consultation methods. Operating companies hold formal safety committees on site throughout the UK. Additionally, some operating companies hold employee forums in order to consult directly with the workforce.

Telephone hotlines are provided for employee concerns in several businesses, in addition to formal whistle-blowing arrangements. Elsewhere, employee safety champions are encouraged to accompany safety advisers on inspections.

Safety Targets and Performance

| Safety performance targets for 2008: | Status (for year 2008): | Zero Harm Target for 2012 |
|---|---|--|
| Zero fatalities | Eight worker fatalities; three in wholly owned operating companies (one in UK, one in Australia and one in Chile). Five in Joint Venture companies (one in each of Macau, Singapore, Hong Kong, Indonesia and Dubai) | Zero fatalities |
| Zero permanently disabling injuries | Six permanently disabling injuries | Zero permanently disabling injuries |
| Each operating company targets sustained AFR reduction and to achieve AFR < 0.2 by end 2010 as a milestone on the Zero Harm journey | Group AFR improved 5% from 0.21 to 0.20 Within this total: <ul style="list-style-type: none"> • AFR for UK operations was 0.28 (down 7% from 0.3 in 2007) • AFR for European operations was 0.68 (up 39% from 0.49) • AFR for North American operations was 0.20 (up 100% from 0.1) • AFR for Rest of World was 0.20 (up 43% from 0.14). | Each operating company aims for zero accidents and injuries by 2012 with an absolute ceiling on AFR of 0.1 by end 2012 |

We have three prime indicators of safety performance:

- the number of fatalities.
- the number of permanently disabling injuries – introduced in 2004 as an additional indicator, with a target of zero to provide a focus on the most serious of accidents.
- The Accident Frequency Rate (AFR) ie the number of reportable (major and over three-day) accidents per 100,000 hours worked.

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

Performance 2008

Fatalities

We were deeply saddened by the loss of eight workers across our sites during 2008. Three were in wholly owned operating companies (one in UK, one in Australia and one in Chile). Five were in Joint Venture companies (one in each of Macau, Singapore, Hong Kong, Indonesia and Dubai). As in previous years, our most serious accidents tend to result from:

- Working near/on plant
- Working near live traffic
- Working at height
- Electrical hazards

Significant effort is put into managing these and other risks.

All fatalities, significant accidents and those with potentially serious consequences are subject to in-depth investigation including root cause analysis. To ensure this process is consistent and robust, we have trained over 700 principal investigators across our global operations to date. All fatalities are subject to investigation and senior management review, together with comprehensive action plans to prevent recurrence. Immediate learning points are shared via safety alerts, and further detailed 'lessons learned' are disseminated.

Major Injuries

The number of major injuries across the group increased since 2007 (up 26%) with the number of persons at risk up by 18%. The rate of major injuries increased (up 4%) compared to last year. The Group major injury accident frequency rate was static compared to 2007, at 0.06%. Six of these major injuries resulted in permanently disabling conditions.

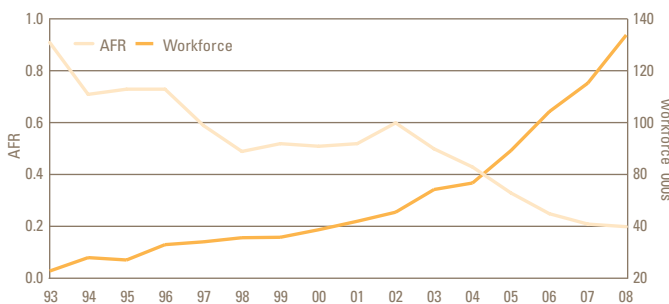
Over three day injuries

In 2008, 478 injuries resulting in more than three days absence were reported across the Group (425 in 2007).

Accident Frequency Rate

Improvement in the reduction of Accident Frequency Rates (AFR) continued in 2008, but at a markedly slower pace. The Group AFR (wholly owned operating companies plus joint venture companies) is down 5%, with an AFR of 0.20. The operating company AFR is down 3% in 2008 with an AFR of 0.28, whilst the significant joint venture companies' AFR is static at an AFR of 0.12. Since 2002, the Group AFR is down 67%, despite worker numbers increasing by 158%. The UK operating companies' AFR is down 46%, employee numbers up 93%. The North American operating companies' AFR down 53%, with employee numbers up by 121%.

AFR for Balfour Beatty Group from 1993–2008



Group AFR vs number of workers from 1993 – 2008

Notified Dangerous Occurrences

UK operating companies recorded 37 notified dangerous occurrences during 2008 compared to 31 in 2007. The principal categories were:

- overturning or failure of lifting machinery/equipment
- fire/explosions caused by electrical short circuits
- escape of flammable or harmful substances
- short circuits to overhead lines
- structural collapse

In addition, there were 9 dangerous occurrences reported outside the UK.

Benchmarking

We benchmark our performance against industry norms across the world. In all cases Balfour Beatty performance compares favourably.

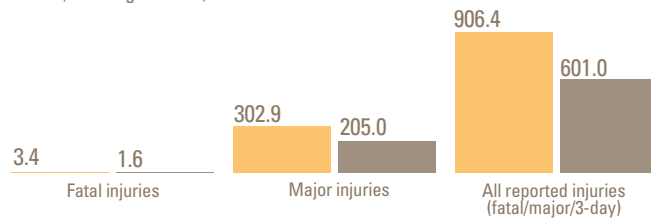
UK

The UK Health & Safety Executive (HSE) provides annual statistics on work-related ill-health, injuries, dangerous occurrences, enforcement and gas safety – produced in conjunction with the Office of National Statistics.

Comparison of Balfour Beatty UK Incidence Rates with UK construction industry

Incident rate per 100,000 workers

- HSE UK construction industry 2007/8
- BB (Building & Civils) UK 2008



Comparison of Balfour Beatty UK Incidence Rates with UK construction industry

Continental Europe

Germany: 87% better than industry norm

Compared to the equivalent Berufsgenossenschaft (BGETF) reportable incident rate per 1000 workers of 50.8 in 2007 (2008 data not yet available), Balfour Beatty Rail Germany & Austria had a reportable incident rate per 1000 workers of 6.7. This represents a performance of 87% better than industry average.

US

The US operating companies performed extremely well compared to their industry groups. The table below shows a comparison of the total recordable injury rates and the lost time injury rates.

| OpCo | Total Recordable Injury Rate 2008 | Lost Time Rate |
|---|-----------------------------------|----------------|
| Balfour Beatty Infrastructure Inc | 2.61 | 0.71 |
| Balfour Beatty Rail Inc | 3.67 | 1.36 |
| Heery | 0.9 | 0.15 |
| Balfour Beatty Construction LLC | 1.4 | 0.10 |
| OSHA Construction 2007 | 5.4 | 1.9 |
| Highway, street, bridge construction | 5.9 | 1.9 |
| Other heavy civil construction | 3.5 | 1.3 |
| Non residential building construction | 4.5 | 1.2 |
| Injury Rate Comparisons vs US Construction Sector | | |

Rest of World

Hong Kong: 91% better than industry norm

Gammon Construction recorded an incident rate (per 1,000 workers) of 5.5 in 2008 (8.3 in 2007), 91% better than the industry average of 60.6 for Hong Kong Construction Industry (Dept of Labour) data.

There is no suitable benchmark data available for Dubai at present.

Major Contractors Group (MCG) Comparisons

Following the UK Construction Summit in 2000, Revitalising Health and Safety in Construction was launched as an initiative. While the UK Government set targets for all industry sectors to reduce fatal and major injury incidence rates by 10% by 2010, the construction industry responded by setting much tougher targets. The UK Major Contractors' Group committed to reduce the incidence rates of all reportable injuries by 10% year on year. This would equate to a 45% reduction over 6 years, and a 65% reduction over 10 years.

Balfour Beatty performance for the six-year period 2002 – 2008 compares as follows:

- Zero UK fatalities in 2004, 2005, 2006 and 2007. One in 2008.
- 67% reduction in Group AFR
- 46% reduction in UK operating company AFR

Convictions and Penalties

We report convictions and penalties across all our businesses.

UK

| UK Regulatory Action | 2008 | 2007 | 2006 |
|--------------------------|----------|----------|----------|
| Prohibition Notices | 2 | 1 | 2 |
| Improvement Notices | 5 | 4 | 2 |
| Visits by HSE Inspectors | 4 | 3 | 1 |
| Visits by HSE Inspectors | 208 | 127 | 188 |
| Convictions | 1 | 2 | 1 |
| Fines | £200,000 | £260,747 | £100,000 |

HSE inspectors carried out 208 visits to our UK workplaces during 2008, 64% more than in 2007.

As a result nine UK Enforcement Notices were received, compared with four in 2007. These included five Prohibition Notices, for the unsafe offloading from a wagon, and four for work at height issues. Four Improvement Notices were received for control of vibration, storage of paint tins and work at height.

The HSE served one Notice of Prosecution on UK operations during 2008 as the result of an incident in 2003 that occurred in a business prior to acquisition by Balfour Beatty.

We continue to build strong relations with the HSE. As part of their (HSE) National Intervention Strategy with major contractors, Balfour Beatty Civil Engineering has developed a joint Intervention Plan. This builds on work started in 2005 by Balfour Beatty Construction. The Intervention Plan is reviewed periodically by Balfour Beatty and the HSE. The arrangement may be extended to other UK companies in the future.

US

| US Regulatory Action | 2008 | 2007 | 2006 |
|----------------------|---------|------|----------|
| US citations | 4 | 0 | 5 |
| US Fines | \$7,900 | \$0 | \$12,660 |

In the United States, Balfour Beatty operating companies actively engage with Federal or State OSHA agencies in voluntary partnership programs. The most common names for these programs are VPP (Voluntary Protection Program) or SHARP (Safety and Health Achievement Recognition Program). To be accepted into these programs, projects must submit their safety and health plans to the respective OSHA agency and then agree to participate in voluntary audits by OSHA representatives. The project safety and health plans must show a management system that goes beyond just compliance. Once admitted into the respective program by OSHA, the projects become exempt from OSHA inspections for the duration of the program and additionally, have access to OSHA specialists to discuss issues and share best practices in a true partnership.

Other Regions

| Other Regulatory Action | 2008 | 2007 | 2006 |
|----------------------------|-----------------|------|---------------|
| Prosecutions | 0 | 0 | 0 |
| Notice of Violation | 0 | | 1 – Italy |
| | Australia – 4 | | |
| | Italy – 1 | | |
| | Hong Kong – 1 | 0 | 3 – Hong Kong |
| | | | 1 – Dubai |
| Fines | Italy £4930 | 0 | 2000 |
| | Hong Kong £7500 | | HK\$ 38,000 |
| | | | AER 3,000 |

Occupational Health

We pay particular attention to specific occupational health risks relevant to our industry. The main occupational health hazards for construction are:

- vibration
- noise
- respiratory diseases, asbestos
- skin conditions
- musculoskeletal disorders
- stress

Occupational Health Screening

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

Read more on the success of one particular men's health screening project that took place in Glasgow in 2008 in the case studies section of our online report.

Alcohol and Drug testing

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

In the US 4,162 tests were carried out in 2008 (2,502 in 2007), and in the UK 14,227 tests were performed (9,160, 2007). In the US, the percentage of positive tests has reduced since from 2.8% in 2007 to 1.6% in 2008 for substance abuse. In UK, the percentage of positive tests increased slightly from 2.8% in 2007 for substance abuse to 3.3% in 2008.

Vibration

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

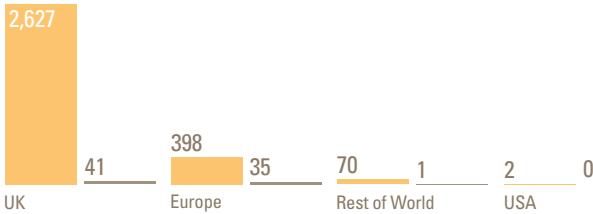
In 2008, there was approximately double the number of workers questioned about HAVS compared to 2007. A total of 4,481 HAVS questionnaires were completed in the UK. 83 cases of suspected HAVS were identified in 2008, of which 22 were reported to the regulator, compared with 14 in 2007. The increase in cases of suspected HAVS is due to the significant increase in HAVS questionnaires (almost double) since 2007.

Noise

Some 3,097 employees received audiometry testing in 2008 (compared with 3,428 in 2007). Of the 2,627 UK employees tested, 41 (8 in 2007) had duties restricted as a result of the audiometry testing.

Employees receiving audiometry testing & subsequent reduction in duties

- Employees who received audiometry testing
- Employees with duties restricted as result of audiometry testing



Respiratory disease and skin conditions

Respiratory diseases

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

All UK operating companies report that they have asbestos management plans in place and asbestos duty holders have been appointed and trained where required. European arrangements are being progressed.

Occasionally, we encounter asbestos in buildings during refurbishment or maintenance activities. Any potential exposure is carefully managed, samples analysed and records kept. During 2008, the number of reported asbestos related incidents was largely unchanged at 42 compared to 46 in 2007, with all operating companies implementing asbestos management plans.

Skin conditions

All operating companies continue to address the risks from handling and exposure to substances. Examples are sensitivity to cement, solvents and other chemicals.

Musculoskeletal Disorders

Musculoskeletal disorders due to poor manual handling are a common hazard on site. We are addressing this in several ways: increased automation and use of vacuum lifting and hydraulic lifting appliances. On London Underground a mechanical aid has been developed for positioning rail sleepers. Balfour Beatty Utility Solutions utilised a mobile training vehicle to visit regions across the country promoting manual handling initiatives. Balfour Beatty appointed manual handling champions to look at re-designing manual handling tasks to reduce the risk of injury. Balfour Beatty Plant and Fleet services has developed a campaign to focus on manual handling, 'One Step and Move It'.

Stress

Training to increase stress awareness by staff in supervisory positions continued in 2008. The number of employees who received stress recognition training increased from 287 in 2007 to 748 in 2008 from 2007, with significant increases in both the UK and 'Rest of World' regions.

Health Promotion

A number of operating companies now focus on Wellbeing, both within and beyond work. Most run occupational health promotional campaigns focusing on stress, dermatitis, musculoskeletal and general health awareness. Some companies continue to promote healthy eating in their canteens and make fruit readily available in their offices.

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

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

Another topical issue is that of smoking. No smoking campaigns were launched in several companies, in line with recent changes to legislation.

Some companies continue to promote healthy eating in their canteens and make fruit readily available in their offices.

Safety Awards

We continue to receive many awards in recognition of outstanding safety performance worldwide.

UK

RoSPA

In 2008, 54 RoSPA awards were received for occupational safety. Gold awards were awarded to Balfour Beatty Construction (Northern), Balfour Beatty Construction (Scottish & Southern), Balfour Beatty Regional Civil Engineering, Balfour Kilpatrick, Balfour Beatty Rail Systems & Solutions and Mansell Construction.

British Safety Council

Seven awards were received from the British Safety Council in 2008. For the 28th year Balfour Beatty WorkPlace was awarded the BSC International Safety Award for annual safety performance. Five awards were issued to Balfour Beatty Regional Civil Engineering and one to Balfour Beatty Rail Projects.

Considerate Contractors Scheme

25 awards were received by operating companies from the Considerate Contractors Scheme. Balfour Beatty Management received a Gold award and Balfour Beatty Major Civil Engineering received two silver awards for the King's Cross and M1 widening scheme between junctions 6a-10.

Client Awards

Occasionally, our clients present awards recognising exceptional safety achievements. In 2008 Balfour Beatty Major Civil Engineering received two awards from the Highways Agency in recognition of their safety performance at the A3 Hindhead (Safety Innovation Award for 'design for safety in construction and maintenance') and M1 junctions 6a-10 Widening projects (Best Safety Project 2008). Awards were also received by Balfour Beatty Construction Northern, Balfour Beatty Ground Engineering, Balfour Beatty Rail Projects and Balfour Kilpatrick.

Other Awards

Balfour Kilpatrick won the Building Contractors Safety Programme Award at Building Magazine's Health & Safety awards ceremony. This operating company also won other awards during the year including the Silver Helmet Award for Safety at the Contract Journal Awards. Balfour Beatty Major Civil Engineering received the Prince Michael Road Safety award for the M1 widening junctions 6a-10 project. Balfour Beatty Plant & Fleet Services received the 24/7 Safety Shield for the Group Tower Crane Manual and also a World Bronze Medal at the New York Festival for their Safety Induction DVD.

Building Services Awards: Balfour Kilpatrick received the Building Services Health & Safety Initiative Award. Balfour Beatty Ground Engineering received an award from the Concrete Society for outstanding merit in the use of concrete. Balfour Beatty Utility Solutions won the UKSTT New Installation (small project) award.

US

Balfour Beatty Construction Group received the Associated General Contractors "Construction Safety Excellence Award" and the 2008 Associated Builders and Contractors STEP (Safety Training & Evaluation Process) Award (Platinum Level). Balfour Beatty Infrastructure Services Inc received five North Carolina Department of Labor Certificates of Safety Achievement and also the AGC Certificate of Commendation for Excellent Safety Record (South West region).

Heery International received several awards recognising outstanding safety achievements including the Construction Safety Excellence Award (including a Grand Award winner).

Balfour Beatty Rail Inc received a Gold Safety Award from the National Railway Construction and Maintenance Association (NRCMA) for the seventh year in a row.

Rest of the World

Within Gammon Construction, five projects received the Considerate Safety Contractor Award. Dutco Balfour Beatty LLC received a safety award from Nakheel, Dubai Quality Group and Mouchell Consultants. Balfour Beatty Rail International (Malaysia) was also awarded the National Best Safety and Health Award by the Ministry of Human Resource.

Safety Training and Competency

During 2008 we have continued to provide a high level of safety training across the Group to ensure the competence of each jobholder.

Training Days, 2002 – 2008

| Year | Rest of Training Days | | Total Training Days |
|-------------|-----------------------|---------------|---------------------|
| | UK | World | |
| 2002 | 31,680 | 8,292 | 39,972 |
| 2003 | 35,369 | 7,389 | 42,758 |
| 2004 | 44,611 | 6,377 | 50,870 |
| 2005 | 30,938 | 6,219 | 37,157 |
| 2006 | 53,567 | 22,046 | 75,613 |
| 2007 | 42,691 | 22,901 | 65,592 |
| 2008 | 41,180 | 19,323 | 60,503 |

The data shows a slight decrease in total amount of training days in 2008 compared to 2007.

Leadership and management are vital for good safety, and so a key focus during 2008 has again been appropriate safety training for managers at all levels. Over 400 (to date) Directors and Senior Managers in the UK, Europe and the US have attended a programme of one-day IOSH courses, 'Safety for Senior Executives.' To date over 700 senior managers and Principal Investigators attended one and two day courses in Accident Investigation in the UK, and other regions.

Specific safety training – we continue to provide training on specific hazards too, for example, near miss reporting, fall arrest equipment awareness, temporary works design and MEWP coordinators.

Competency

Eleven of our operating companies report above 95% of their workforce are certificated to the Construction Skills Certification Scheme (CSCS) or other nationally recognised training schemes. All other operating companies are working to ensure that all their workforce hold the relevant recognised competency cards where they exist.

Protecting the Environment

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

In this section:

Highlights and Approach

We have laid good foundations for our Sustainability Roadmap by measuring our environmental impacts, adopting a structured approach for environmental management and sharing best practice across the Group.

Climate Change

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

Waste

Our operating companies seek opportunities to reduce, reuse and recycle the waste we generate and to use recycled materials where possible to conserve resources for future generations.

Water

Our focus has been to reduce our use of water and provide new buildings with water saving technologies.

Materials

We continue to increase our procurement of sustainably sourced timber and seek opportunities to select materials with lower environmental impacts.

Ecology

Our operating companies actively manage ecological issues on their projects and seek to positively enhance habitats and species diversity.

Incidents and Enforcement

Our goal is to avoid environmental harm and encourage our operating companies to record, investigate and learn from environmental incidents.

Awards and benchmarking

Recognition and awards success received in 2008.

Highlights and Approach

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

2008 Highlights

- Our operating companies won 44 national and international environmental awards
- We launched a US version of our Group Audit Protocol to assess compliance with regulatory and other requirements
- 74% of our operations by revenue certified to ISO 14001, 96% in the UK
- 30% reduction in CO₂ emissions per £m sales for our UK operating companies since 2004
- Developed our thinking on carbon across the project life cycle to determine where we can make most impact in reducing carbon emissions.
- 37% reduction in waste disposed in UK per £m sales since 2005.
- 2.8 million tonnes of waste generated across our operations was diverted from landfill, representing a 77% recycling/recovery rate
- 74% of our UK timber purchases are made from sustainable certified sources (28% in 2003)
- Joined the UK Green Building Council as Gold Leaf members

2008 was a disappointing year in terms of enforcement action, with five environmental incidents resulting in fines. Three of these incidents occurred in the UK, one in Singapore and one in the US. Take a look at the section of this website on Environmental incidents and enforcement action to read more on this subject.

Our approach to environment

Our approach to managing our environmental responsibilities is structured, based on risk and opportunity to provide sustainable solutions. Each operating company has established its own environmental management systems that address the key environmental issues for that business. We continue to have our systems externally certified to the international standard ISO 14001, have extended the scope of our reporting of environmental performance to prepare for the introduction of targets across our businesses and developed our thinking on our response to key issues such as climate change.

Environmental Policy

Our environmental policy has been reviewed and re-issued to bring it into closer alignment with our sustainability vision.

Key areas of focus

Our projects have the potential to impact on the environment. These impacts range from localised noise, nuisance, dust and disturbance to ecology and global issues such as greenhouse gas emissions and the sourcing of materials.

Major Impacts

In conjunction with our partners, Forum for the Future, we identified five key focus areas on environment that we consider material for our 2020 vision for sustainability:

- Climate change
- Waste
- Water
- Materials
- Ecology

These areas are aligned to the UK's sustainable construction strategy, published in June 2008⁴. We also continue to report on major environmental incidents and enforcement action.

These are explored in following sections of this report.

Measurement and Reporting

We place a great deal of emphasis on measuring performance to help embed more sustainable thinking across our businesses. Balfour Beatty is one of the leaders in its sector on the measurement and reporting of its environmental performance. The quality of this data continues to improve in an operating environment characterised by a growing and constantly changing project portfolio. Data is collected using a web based tool on an annual basis through Enablon and in real time through our Tr@ction incident reporting database. Our measurement approaches are aligned to guidance produced by DEFRA on reporting greenhouse gas emissions⁵ and by WRAP⁶ for construction waste.

In 2008, we upgraded the guidance and training provided to our operating companies for the reporting of key performance indicators. We also strengthened the central SHE team, through the appointment of a Data Analyst and Group Head of Environment to provide a greater level of assurance over the quality and completeness of the data provided by our operating companies worldwide.

4 Strategy for Sustainable Construction, 2008, www.strategicforum.org.uk

5 Guidelines to DEFRA's Greenhouse Gas Conversion Factors for Company Reporting, June 2008

6 Detailed guidelines for Major Contractors' Group members to measure and report construction waste, 2008, Waste Resources Action Programme

| Region / Principal Sectors | Climate Change, Water, Waste, Materials, Ecology | | Incidents and Enforcement Action | Awards |
|---|--|---------|----------------------------------|--------|
| | ISO 14001 | | | |
| UK | | | | |
| • Building | ✓ | ✓ | ✓ | ✓ |
| • Civil Eng | ✓ | ✓ | ✓ | ✓ |
| • Rail | ✓ | ✓ | ✓ | ✓ |
| • Investment | ✓ | ✓ | ✓ | ✓ |
| Continental Europe | | | | |
| • Rail | ✓ | ✓ | ✓ | ✓ |
| North America | | | | |
| • Building | ✓ | limited | ✓ | ✓ |
| • Civil Eng | ✓ | limited | ✓ | ✓ |
| • Rail | ✓ | limited | | |
| Rest of World (Gulf & Hong Kong) | | | | |
| • Building | ✓ | ✓ | ✓ | ✓ |

Notes:

- UK operating companies have reported data since 2002 and in Continental Europe since 2005
- Gammon Construction in Hong Kong and our Malaysian rail businesses have reported data since 2006
- Dutco Balfour Beatty in Dubai reported environmental performance data for the first time in 2008
- Balfour Beatty Communities in the US provided estimated energy, water and waste data for the first time in 2008
- Joint Ventures report their data as if wholly owned by Balfour Beatty (eg revenue, total waste, etc is not split by level of ownership)

Whilst we report on global impacts where the data is available, we also provide UK-specific data in our Performance section. Our intention is to place increasing emphasis on global trends as our data capture is extended to cover our US businesses. We report the data in absolute numbers (e.g. tonnes of waste disposed) and set them into context of a growing business, normalised against revenue (eg tonnes of waste disposed per £m sales).

Targets

Previously, we have devolved the setting of environmental improvement targets to our operating businesses. We have recognised as part of our sustainability roadmap, that we need to establish targets across our global business for key areas of environmental performance including CO₂ emissions, water, waste and responsibly sourced materials. Whilst a number of operating companies already have robust data available, we will be working hard to replicate this across all our operations, especially in our US businesses. We will report further progress on target setting in our next report.

Environmental management systems**ISO 14001**

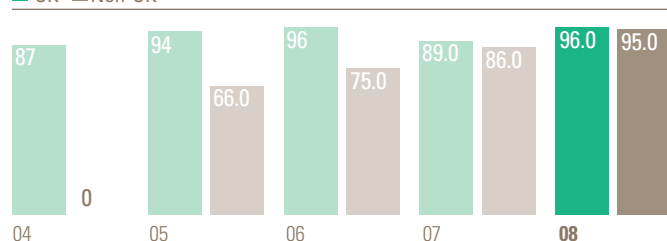
74% of our operations in terms of revenue, operate under environmental management systems externally certified against the requirements of the international standard ISO 14001.

We have continued to make good progress in implementing ISO 14001 throughout our operations over time. 96% of our UK operating companies achieved or maintained certification to ISO 14001 in 2008 (89% in 2007).

New certifications during the year included Balfour Beatty Management and the joinery business of Mansell, both in the UK.

% of OpCo Certified to ISO 14001

■ UK ■ Non-UK



Notes:

- Non-UK excludes US. Our US businesses operate their own formal environmental management systems designed to deliver compliance with regulations and protect the environment during their work. These systems are not certified to ISO 14001.

Training: LEED® APs

Balfour Beatty Construction US is gearing up for increased demand in LEED projects. The number of trained and qualified Accredited Professionals for LEED projects grew from 59 in May 2008 to 157 at year-end, far exceeding its target of 100 by the end of 2008. We believe this places Balfour Beatty Construction US into the top 10 providers of LEED APs.

External Audit

For details on our external audit process, please consult the Independent audit section of this document.

UK green building council

Balfour Beatty joined the UK Green Building Council in 2008. The UK-GBC campaigns for a sustainable built environment and its members work together to develop sustainable solutions across the sector (www.ukgbc.org). We are also members of the US Green Building Council.

Ozone Depleting Substances

In previous reports, we have recorded Ozone Depleting Substances (ODSs) such as CFCs and HCFCs purchased by Balfour Beatty on behalf of its customers and for our own use. These substances are principally used in air conditioning equipment in buildings. The quantities reported for the last four years have been minimal reflecting the phase out of these substances under the Montreal Protocol. We do not consider ODSs to be a material issue for reporting purposes.

Local Impacts

In previous years we reported our use of persistent herbicides. The small volumes involved are not considered material in the context of our global operations as a construction and civil engineering business. The control of herbicide usage will continue to rest with operating companies at a local level. The management of other local impacts such as noise, nuisance and dust emissions continues to be devolved to our operating companies under their own environmental management systems.

Climate Change

Our goal is to reduce our emissions of greenhouse gases, adapt to the impacts of climate change and deliver low carbon solutions for our customers.

Concern about climate change and emissions of greenhouse gases has never been more intense. Climate change mitigation and adaptation is a core part of the UK Government's Sustainable Construction Strategy published in June 2008. Construction and buildings are seen as a key area by the UK Government to cut UK CO₂ emissions by 80% by 2050 and at least 34% by 2020. At the policy level, it has set ambitious zero carbon goals for new schools by 2016, public sector buildings by 2018, and other commercial buildings by 2019.

Buildings over their lifetime account for 45% of total UK greenhouse gas emissions through the energy they use and the production of construction materials to build them accounts for a further 10%⁷.

⁷ BRE (2009), Sustainability in the Built Environment, an introduction to its definition and measurement, www.bre.co.uk

Our Approach

We believe that we have a responsibility both to reduce carbon emissions from our direct activities and to look for carbon savings in the projects we design, build and manage for our customers. The data around life cycle impacts of infrastructure projects is limited. Our approach has been to undertake the research to determine where we can make the biggest contribution to reducing the carbon impacts of our customers' projects and begin developing relevant tools to help us reduce these impacts. We believe that we can make a larger overall reduction in carbon through a project based approach rather than just addressing our own direct emissions.

Our own research is focused on filling the gaps in our knowledge of the carbon impacts of projects through the lifecycle of an asset.

This research has centred on three areas to date:

- A team of Balfour Beatty operating companies in the UK have calculated the carbon and ecological footprints of a school during its construction and operational phases. Read more about this research at case studies.
- Balfour Beatty Major Civil Engineering is working with the Highways Agency, Network Rail, Atkins and Forum for the Future to develop the carbon footprint of a major infrastructure project through the Engineers for the 21st Century programme
- Balfour Beatty Infrastructure Services in conjunction with Loughborough University is seeking to identify carbon savings embodied in materials and its own direct emissions during asset maintenance for road and street lighting schemes.

In reality, almost every building uses more energy than models predict at the design stage. We believe that the behaviour of building users has a major contribution to make in bridging this gap. Attitudes and behaviours need to change, along with the introduction of the latest low and zero carbon technologies.

The Power of Behaviour Change at Stoke Schools

Balfour Beatty WorkPlace has developed a database stretching back nearly 10 years on the energy performance of buildings in practice. They believe that the users of buildings are not aware of the contribution they can make in their day to day actions to bring energy use and carbon emissions down.

Click on the video link to learn more about how Balfour Beatty WorkPlace helped Transform Stoke Schools deliver a 10 year, 25% energy reduction target, two years early through smart technology and behaviour change. By engaging school children and staff in monitoring and understanding their energy use, they saved 8,200 tonnes of CO₂ and reduced energy costs by £325,000.

We continue to deliver energy efficient and low carbon solutions for our customers. You can read about our successes in our case studies.

Adaptation

We also need to be prepared for climate change in the way we plan, design, build and maintain infrastructure. Increasing temperatures will affect material durability, increasing the corrosion of steel, increasing the carbonisation of concrete and accelerating the deterioration of timber. Higher rainfall and more intense storm events will lead to increased flooding of buildings, roads and other infrastructure assets. We will need to understand how the climate is going to change, so we can take it into account in our decision-making. We will need to look for and apply more innovative methods to maintain existing infrastructure in a changing climate, ranging from future proofing new projects to retrofitting solutions to existing assets.

Our Performance

We have aligned our measurement and reporting of greenhouse gas emissions with the GHG Protocol (www.ghgprotocol.org) in terms of:

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

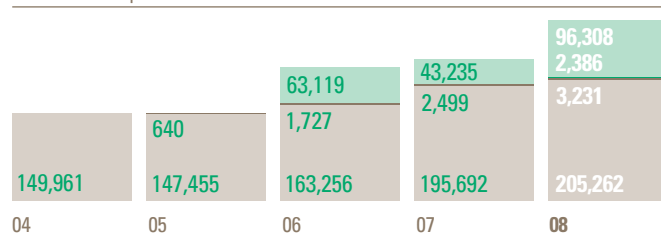
More information on this is available in the Performance Section.

75% of our CO₂ emissions come from mobile plant and the company vehicle fleet. Our emissions of CO₂ from our vehicles, plant and buildings were 307,187 tonnes in absolute terms in 2008 (241,426 tonnes in 2007, restated). This increase reflects increased levels of activity across the Group and data from Dutco Balfour Beatty being included for the first time. Further work is required to establish reporting systems to include comparable data from our US operations.

When normalised against revenue, our global CO₂ emissions, reduced by 18% in 2008 at 31 tonnes of CO₂ per £m sales (38 tonnes in 2005).

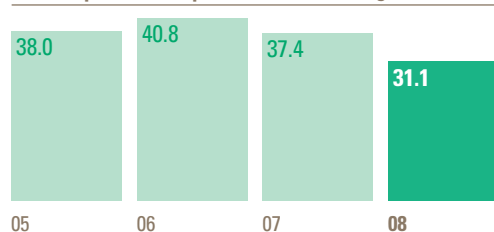
Global Absolute Tonnes Equivalent CO₂ (Excluding Air Travel)

■ UK ■ Europe ■ North America ■ Rest of World



Comparative UK-only performance data is available in the Performance section of this report.

Global Equivalent CO₂ per £m sales (Excluding Air Travel)



Sulphur Hexafluoride

Sulphur hexafluoride (SF₆) is a powerful greenhouse gas. We do not use this gas directly at our own facilities but do purchase it on behalf of our customers, primarily for electrical insulation uses for circuit breakers in the rail and power generation sectors. We purchased 1,717kg of SF₆ for our customers in 2008 (1,374 kg in 2007). Given the minimal influence we have in the use of this substance, we do not intend to report on sulphur hexafluoride in future reports.

Carbon Disclosure Project (CDP)

During 2008, Balfour Beatty reported its global emissions to the Carbon Disclosure Project (www.cdproject.net) for the first time. Direct and indirect emissions are reported, as per the GHG protocol.

Global Direct and Indirect CO₂ Emissions under CDP

| | 2008 | ***2007 |
|--------------------------|---------|---------|
| Direct Emissions* | 249,425 | 200,720 |
| Indirect Emissions** | 57,762 | 40,706 |
| Total Emissions (Tonnes) | 307,187 | 241,426 |

* Boilers, heating plant, fuel for company vehicles and mobile plant (Scope 1 GHG Protocol)

** Electricity use in buildings (Scope 2 GHG Protocol)

*** Restated

Carbon reduction commitment

The 2008 Climate Change Act in the UK introduced a legally binding reduction of CO₂ emissions by public sector organisations including schools and hospitals and larger businesses called the Carbon Reduction Commitment (CRC).

Balfour Beatty will be subject to the CRC and has been preparing for its introduction by raising awareness of its requirements among our UK operating companies. The CRC provides an opportunity for Balfour Beatty to offer and deliver low carbon solutions for its customers and reduce our own energy costs. Whether these be through the design and build of highly energy efficient buildings through to our energy management expertise and changing behaviour of building users, we have a significant role to play in the transition to a low carbon economy.

Our goal is to reduce the amount of waste we generate and manage waste as a resource to reduce demand on primary materials.

Constructing, refurbishing and demolishing buildings, roads, railways, bridges, tunnels and other structures generates large quantities of waste. The US Environmental Protection Agency estimates 331 million tons of waste was produced by the sector in 2005. In the UK, the construction industry produces over 100 million tonnes of waste per annum, of which around 40% goes to landfill and between 10-30% of materials ordered end up in the skip not being used.

Our approach

Our operating companies seek opportunities to reduce, re-use, recycle and recover waste and to use recycled materials where possible. Increasingly, we are replicating best practice developed in one operating company or site to others in the Group as well as developing new innovative ways of managing our wastes.

We measure waste in four main categories:

- **Non-hazardous or general waste**, eg office, canteen and food waste, cardboard, timber, plastics, metals and plasterboard
- **Inert waste**, eg excavation soil, concrete, bricks, glass and tiles
- **Hazardous waste**, eg asbestos, oil and oil contaminated materials, fluorescent light tubes, redundant chemicals and contaminated soils removed on behalf of our customers
- **Liquid/cess pit waste** requiring separate collection and disposal (eg by tanker rather than discharged to sewer for treatment).

Our performance

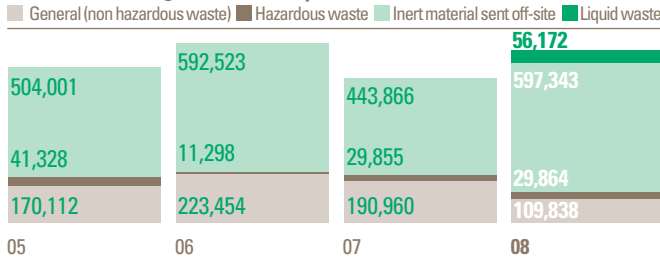
Total Waste Disposed

In 2008, Balfour Beatty's operations (excluding the US) generated 833,425 tonnes of waste for disposal to landfill or treatment plant (restated 703,732 tonnes in 2007).

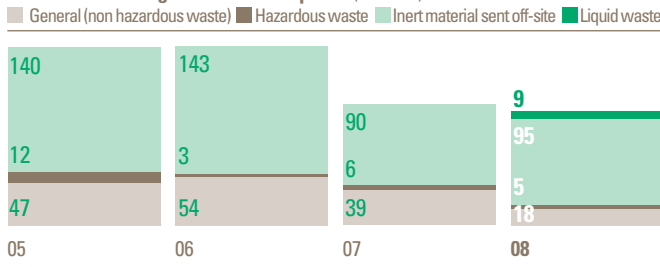
However, the UK generated 95% of the reported waste disposed across the Group in 2008, with Gammon Construction contributing 4% and Continental Europe 1%. Our UK waste data is considered the most robust we have available for reporting trends over time. Total waste disposed in the UK in 2008 amounted to 793,217 tonnes (671,697 tonnes in 2007), an increase of 18%. When normalised against revenue, UK waste disposed in 2008 was 127 tonnes per £m sales (135 tonnes per £m sales in 2007), a reduction of 6%. Since 2005, our UK operating companies have reduced their waste disposed by 36% per £m sales.

We will work towards extending the reporting of waste data to include all our operating companies in the US and the Gulf.

Total Absolute Weight UK Waste Disposed (Tonnes)



Total Relative Weight UK Waste Disposed (Tonnes)



In last year's report we incorrectly classified 1,793,277 tonnes of waste disposed for our global operations as a whole. Over 1 million tonnes of inert excavation material generated by Gammon Construction was incorrectly categorised for landfill, whereas in Hong Kong actual practice is to send this material to "public fill", where it is re-used for other projects, rather than being discarded as waste. We have re-classified this waste stream as a recovery/recycling operation and not a disposal one from 2007 onwards.

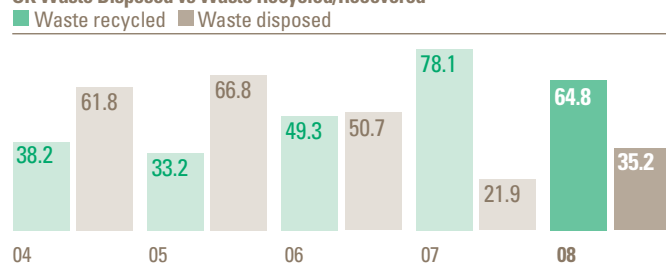
Waste Recycled and Recovered

In 2008, Balfour Beatty's operations (excluding the US) recycled and recovered 2,831,983 tonnes of waste (restated 2,375,308 tonnes in 2007). This represents a recycling / recovery rate of 77% in 2008, up from 67% in 2007.

Full data can be found in the Performance section of this web report.

In 2008, 65% of waste generated in the UK was either recycled or recovered (78% in 2007).

UK Waste Disposed vs Waste Recycled/Recovered



Innovative Waste Management

We have worked hard to minimise waste going to landfill. Examples include:

- Extensive use of modularisation and off-site fabrication at our West Bromwich manufacturing facility to minimise construction waste at Birmingham New Hospital for which we received a Chartered Institute of Waste Management's award for environmental excellence. Read more on our in our case studies section.
- Balfour Beatty Utility Solutions developed an innovative backfill material called Proflo to avoid landfilling excavation waste by mixing excavation material with water and cement which is then pumped back into the pipe trench.
- Balfour Beatty Rail Projects virtually eliminated hazardous ballast waste to landfill through a new bioremediation technique. Read more in our case studies section.
- Re-use of demolition materials for sub-bases, foundations, concrete mixes, site access roads and backfill is now common practice in the UK and was extended across all Balfour Beatty Construction US sites during the year.
- Our award winning M1 project recycled one million tonnes of waste back into the project. Read more on our in our case studies section.

Water

Our goal is to determine our water footprint and reduce our use of water.

Water is becoming a scarcer resource in many parts of the world. The United Nations estimates that 2.8 billion people in 48 countries will face water stress or scarcity conditions by 2025.

Our Approach

We measure mains water usage at our:

- offices
- industrial sites (factories and depots)
- project sites
- abstracted from boreholes

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

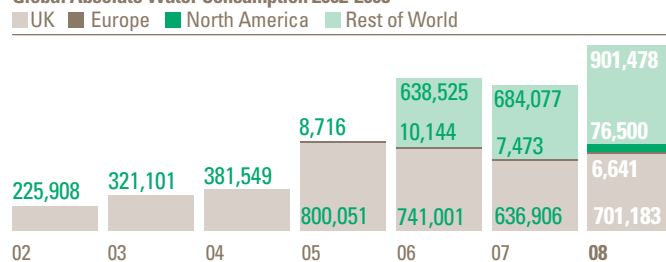
'Fast-Fill' Rainwater Harvesting at Highways Depots

Filling gully emptying vehicles at Balfour Beatty Infrastructure Services depots in the UK used to take 90 minutes to complete. A new 'Fast-Fill' system is now in use which cuts the filling time down to just eight minutes and uses stored rainwater to minimise potable water use. The rainwater storage tank also meets the toilet flushing needs of the depot, saving further on potable water consumption. Following a successful trial, this system is to be rolled out to other depots.

Our Performance

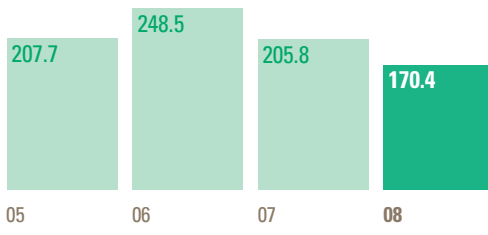
In 2008, our consumption of water was 1,685,801 m³ compared to 1,328,456 m³ in 2007 (restated) an increase of 27% in absolute terms.

Global Absolute Water Consumption 2002-2008



2007 data restated

Global Relative Water Consumption 2005-2008/£m sales



See the performance section for more information on our UK water use.

Materials

Our goal is to source our materials responsibly and select materials with lower environmental impacts.

The Organisation of Economic Co-Operation and Development (OECD) estimates that 40% of the world's resources are consumed by the construction sector. Some materials have high levels of embodied carbon and/or water through processes used in their treatment or manufacture. If not carefully managed, timber can be sourced from illegal logging or poorly managed forests.

Our Approach

Timber

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

An increasing number of our operating companies have developed sustainable timber procurement policies or have plans to develop them during 2009. For example, following approval of an FSC plywood supplier in China, Gammon Construction will be evaluating other FSC sources during 2009.

Other Materials

On many of our construction, civil engineering and utilities projects, we use demolition and other wastes for our aggregate requirements. Re-processing waste material in this way minimises demand for primary aggregates, thus helping to conserve these sources of materials for future generations. Our work on the widening of the M1 motorway in the UK in 2008, processed one million tonnes of recycled aggregate for this project (see case studies).

We will continue our focus on the procurement of responsibly sourced timber. We will also evaluate and use responsible sourcing arrangements for other construction materials when recognised schemes become available. Engaging our supply chain to align their thinking with ours on the responsible sourcing of materials will be a key element to delivering a more sustainable Balfour Beatty. A number of our operating companies formally assess their suppliers as part of their ISO 14001 and procurement systems, through questionnaires, site visits and other evaluation techniques.

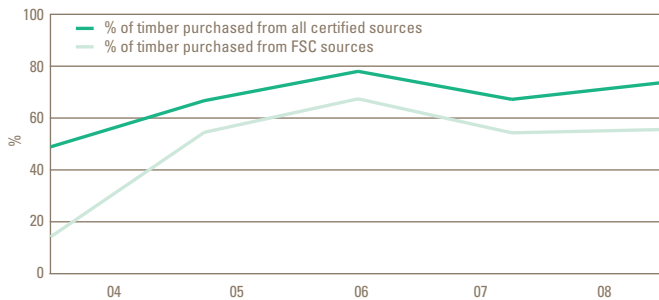
A3 Hindhead projects conserves 140,000 tonnes of aggregates

Balfour Beatty Major Civil Engineering purchased recycled aggregates from suppliers qualifying under the WRAP protocol (www.wrap.org) including crushed concrete, road planings, glass and pulverised fuel ash for concrete mixes.

Our Performance

In 2008, 74% of timber, by spend by our UK operating companies came from a certified managed source (28% in 2003). Of that total, 55% was purchased from a purely FSC certified source (zero in 2003).

UK Timber Spend %



Supply Chain Management in Balfour Beatty Construction Northern

At Balfour Beatty we seek to work with suppliers who have aligned values to our own. Balfour Beatty Construction Northern's supply chain programme was launched in 2007 and seeks to embed sustainability in its supply chain. Their sub-contractor health, safety, environmental and quality conditions have been amended to include sustainability, their pre-qualification questionnaires now require evidence of long term sustainability targets and once accepted as an approved supplier, monthly key performance indicators are used to track and drive performance.

Our goal is to protect and enhance ecological resources.

In some of our operations, we have to work alongside sensitive ecological areas such as regional and national nature reserves or sites of special scientific interest. Maintaining a rich diversity of species and habitats is increasingly important to our customers and the communities affected by our work.

Our Approach

The diversity of ecological species and habitats cannot be measured by a meaningful key performance indicator or range of indicators. In previous reports we have monitored the number of environmentally sensitive sites (such as nature reserves, sites of special scientific interest and other protected areas) in proximity to our work sites. This measure does not capture the essence of ecological diversity and will fluctuate year to year depending on the nature of our projects during any one reporting period.

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

Our Performance

As ecological issues vary from project to project, we have found that each operating company must plan its own local measures for ecological protection and enhancement on a project by project basis. The Rugeley Bypass Scheme completed by Birse Civils and Birse Rail delivered 5 km of new hedgerows to replace the 0.8km removed for construction in addition to creating mammal tunnels cut through the embankment, otter ledges on the river bridges, new foraging and shelter habitats and wild flower seed mixes sown as part of the landscaping works to encourage insect life.

Under the guidance of an experienced ecologist, surveys were undertaken well in advance of the M1 6A – 10 widening scheme, alternative roosts provided for bats during the construction phase, under-bridge design modified to provide permanent roosts and badgers successfully relocated to a new sett constructed six months before the breeding season to allow for familiarisation.

Enhancing local ecology formed a key part of the successful Eaves Link road and bridge project completed by Birse Civils in 2008. (case studies)

Environmental Incidents and Enforcement Action

Our goal is to have zero significant environmental incidents each year and zero prosecutions.

Incident reporting

We encourage our operating companies 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).

Global Environmental Incidents by Year

During 2008, 435 environmental incidents were recorded across our global operations (630 in 2007). Of these, none were classified as causing irreversible environmental impact.

See the Performance section for a breakdown of these accidents over time.

Of the 14 moderate impacts reported in 2008, three in the UK were considered to have impacted the environment.

The first incident occurred in July, involving the discharge of 1000 litres of sewerage to Wrea Brook, near Preston in Lancashire, by a sub-contractor working on our behalf. The sewerage was pumped down the wrong manhole by the contractor. Balfour Beatty Utility Solutions has since amended its procedures to include colour coded plans to more clearly convey drainage systems and ensure contractors' method statements specify in writing the exact manhole to be used.

A second incident, also in July occurred at Tormarton Depot in Gloucestershire when works in a trial excavation trench punctured a supply line to an above ground kerosene storage tank. Immediate action was taken by Balfour Beatty Infrastructure Services to contain the spillage (estimated at 2,000 litres). Contaminated soils were removed to the satisfaction of the Environment Agency.

A large spill and discharge of diesel oil from a standby generator unit on a customer's premises in Bridgend, Wales, occurred in October. An estimated 4,000 litres of diesel entered a local water course via the site's surface water drains. Balfour Beatty WorkPlace notified the Environment Agency immediately and co-operated fully with them during the subsequent clean-up operation.

Spills represent the single largest category of environmental incidents in the UK.

| Release Type | No of Incidents in UK | | | |
|----------------|-----------------------|--------|------|--------|
| | 2007 | | 2008 | |
| Discharge | 27 | 8.0% | 22 | 7.4% |
| Emission | 7 | 2.1% | 4 | 1.3% |
| Spill | 217 | 64.6% | 225 | 75.3% |
| Disturbance | 47 | 14.0% | 25 | 8.4% |
| Waste Incident | 38 | 11.3% | 23 | 7.7% |
| Totals: | 336 | 100.0% | 299 | 100.0% |

Enforcement Action

Global Environmental Fines and Convictions

| | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--------------------|--------------|------------------|------|----------|-----------------------|---------------|------|
| UK | £40,000 | 0 | 0 | *£23,000 | 0 | 0 | 0 |
| Continental Europe | 0 | 0 | 0 | 0 | 0 | 0 | – |
| North America | \$20,625 | **\$480 (USD) | 0 | 0 | ***\$650,000 (USD) | 0 | – |
| Rest of World | \$1,000 (Sg) | 0 | 0 | 0 | – | ****Dhs 1,000 | – |

* 2 incidents including watercourse pollution

** Failure to register a power pack for vibratory hammer with County Air District, California

*** Balfour Beatty Construction Inc fined for dredging and fill activities at Croatan Sound, North Carolina, USA.

**** Waste water discharge from a vehicle washing bay by Dutco Balfour Beatty

2008 was a disappointing year in terms of enforcement action, with five environmental incidents resulting in fines (one minor fine in 2007). Three of these incidents occurred in the UK, one in Singapore and one in the US.

| Incident Date | Fine | Description | Response | Outstanding Action |
|----------------------|--------------------|---|--|--------------------------------------|
| October 2006 | £12,000 (Jan 2008) | Clevedon highways depot, Somerset, UK. Diesel spill from underground storage tank. | Remediation works. Tanks removed and procedures at other highways depots improved. | Remediation and monitoring on-going. |
| June & December 2007 | £28,000 (Oct 2008) | 2 incidents of stormwater runoff (silty water) into water courses off site from A3 Hindhead tunnelling project. | Upgraded site management practices and controls (settlement lagoons, drainage systems, revised operating procedures and re-training). Rectified. | None required |
| February 2008 | \$1,000 (Sg) | Minor silty water discharge. | Closure permit has now been issued and wells have been removed. | None required |
| November 2008 | \$20,625 (USD) | Freeport water intake project, Sacramento, CA, USA. Failure to modify water monitoring wells without a permit. | | None required |

Awards

We continue to be recognised for good environmental practice and performance, winning national and international awards. These included:

- The Chartered Institution of Waste Management environmental excellence award for our innovative waste management practices at Birmingham New Hospital. Read more in our case studies section of this document.
- A silver Green Apple award for the Sunderland Aquatics and Wellness Centre for its energy saving design, rainwater harvesting and sustainably sourced timber. Read more in our case studies section of this web report
- M1 6A-10 motorway widening scheme won four national and international environmental awards for recycling one million tonnes of reclaimed materials into the project. Read more in our case studies section of this document.
- Green Apple award winner for reductions in natural gas and water consumption across schools in Stoke – Balfour Beatty WorkPlace
- Gammon Construction won five environmental awards, including a bronze Hong Kong Award for Environmental Excellence (HKAEE)
- Winner of the Westminster Property Owners' Association award for the most considerate building site of 2008 (Balfour Beatty Construction Scottish and Southern). Read more in our case studies section of this web report
- Champions Green Apple Award for best practice – 'Education for All' scheme at Bassetlaw schools, UK, for re-using redundant school furniture in South Africa – Balfour Beatty Construction Northern
- 29 gold, bronze and silver Considerate Constructor National Awards in the UK, including Birse Civils winning the Most Considerate Site award for the Beswick Regeneration Project.

2008 BREEAM Award Winners

BREEAM (Building Research Establishment's Environmental Assessment Method) is the world's leading sustainability assessment method for buildings, with over 110,000 buildings certified and over a half a million registered. The winners of the 2008 Awards represent the UK's top examples of sustainable design and construction in practice.

Mansell delivered the construction phase of the Matthew Hay Building, University of Aberdeen, winner of the BREEAM Bespoke award. Noteworthy features of this BREEAM Excellent building included a rainwater harvesting system, low carbon technologies and passive renewables, Green Guide rated materials, all construction site impacts considered and achieved, and designed for long term flexibility.

Haden Young designed and installed the building services to deliver a low carbon headquarters building for the Department of Environment Food and Rural Affairs in Alnwick in the UK. This BREEAM Excellent building benefited from photovoltaic collectors integrated into solar shading, passive ventilation, biomass boiler, evacuated tube solar water heating and 3 x 15kW wind turbines.

Further details on both these awards are available at www.breem.org.

Benchmarking

Dow Jones Sustainability Index

We are pleased to report continued membership of the Dow Jones Sustainability World Index (DJSI) (www.sustainability-indexes.com). Balfour Beatty is one of 13 global construction and materials businesses to be included within this index

Business in the Environment

In previous reports, we have reported on our improving progress in the annual Business in the Environment (BiE) Index run by Business in the Community (BiC). The BiE Index was withdrawn by BiC in 2008 in preference for the Corporate Responsibility Index. We will review our participation in the CR Index.

Valuing Our People

Balfour Beatty seeks to utilise the full talents of all of its people and to create a safe, healthy, challenging, rewarding participative and fair working environment for all its employees.

In this section:

Highlights and approach

An overview of how we seek to achieve our people ambitions

Our employees

A profile of our 40,000 employees around the world, including data on diversity and recruitment

Recruitment

How we find and nurture talent to build a strong and diverse business

Reward and remuneration

Information on the incentive schemes for Group employees, including pension provision.

Training and development

Effective training and development directly affects our ability to deliver for our customers, and to stay in business in the long-term.

Ethics and behaviour

How we set our expectations for ethical behaviour within the organisation, plus how we deal with misconduct.

Employee engagement

How we communicate with our people, and give them a voice within the organization

Pensioners

How we manage our responsibilities to retired employees.

Highlights and Approach

Highlights 2008

- 40,000 employees worldwide – a 14% increase on 2007
- £20m spent on training
- 5,000 employees now members of our Sharesave Scheme – an increase for the third consecutive year
- 117% increase in the number of graduates recruited since 2004
- Development of a range of KPIs
- E-learning programme for ethical behaviour rolled out across the UK

Our Core Approach

Balfour Beatty seeks to utilise the full talents of all of its people and to create a safe, healthy, challenging, rewarding, participative and fair working environment for all its employees.

Our Aims

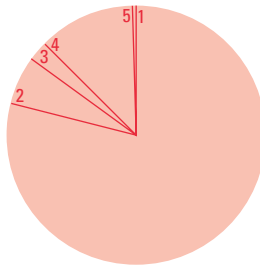
- To provide an open, challenging and participative environment
- To enable all employees to utilise their talents and skills to the full, through appropriate encouragement, training and development
- To communicate a full understanding of the objectives and performance of the Group and the opportunities and challenges facing it
- To provide pay and other benefits which reflect good local practices and reward individual and collective performance
- To ensure that all applicants and employees receive equal treatment regardless of age, origin, gender, disability, sexual orientation, marital status, religion or belief

Who we employ

Balfour Beatty's key asset is its people and its products and services are the result of their talents, ingenuity and energies.

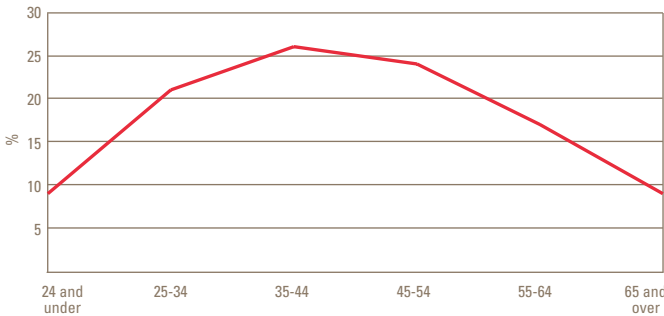
% Employees 2008 by region

| | | |
|---|--------------------|-----|
| 1 | UK | 79 |
| 2 | Continental Europe | 6 |
| 3 | South-East Asia | 2.5 |
| 4 | USA | 12 |
| 5 | Other | 0.5 |



In 2008, Balfour Beatty employed an average of 39,525 people in over twenty countries. 79% were employed in the UK, 12% in the United States, 2.5% in South-East Asia, 6% in continental Europe and 0.5% elsewhere in the world.

% of Employees in Each Age Category



Numbers employed rose by 14% during the year as the company continued to grow both organically and by acquisitions. The age profile of the Group shows that 56% of our employees are under 45 years of age.

How we expect our people to behave

Balfour Beatty people are expected to understand and abide by the company's core values. These are contained in three documents:

- Core principles
- Business conduct guidelines
- Stakeholder codes of practice

Our **Company Principles** underline everything we do and define the key commitments we make to our stakeholders. Our **Stakeholder Codes of Practice** provide a clear structure within which our businesses are expected to deal and work with key stakeholder groups. Our **Business Conduct Guidelines** explain in detail how we require our people to behave and are being embedded throughout the Group through an e-learning programme. In 2009 a clear set of values will be communicated.

Employee profile

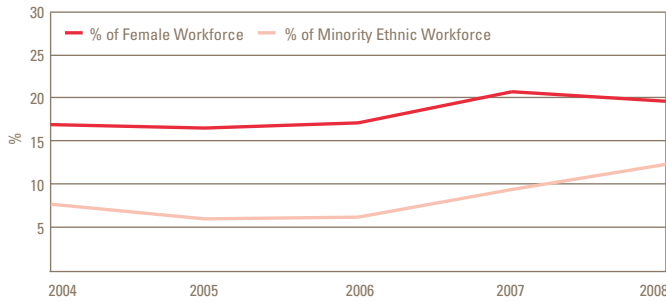
Of the 40,000 people employed in the Group in 2008, most were contracted to one of its constituent operating companies. In a diverse Group, which encourages substantial autonomy, the majority of employment policy and practice is determined at operating company level. Group policies and requirements condition how the operating companies act, set standards for our operations to meet and exceed and cross-fertilise best practice.

In 2008, for the first time, the Group has collated comprehensive base data relating to the people in its employment. This helps build on what our operating companies are doing and provides a flexible structure for them to do more. With the existence of a common data platform, the Group is now in a position to provide comparative measures across the Group, raise the profile of key issues at Group and operating level, facilitate knowledge sharing and identify opportunities to improve mobility and opportunity within the Group.

Diversity and Equal Opportunity

In the UK, 80% of Balfour Beatty's people are men and 20% women. 12% of our UK employees are of ethnic minority origin. These figures show a significantly higher proportion of women and ethnic minority employees than when measured first in 1999 when proportions were 13% and 4% respectively.

% of Female Workforce and % of Minority Ethnic Workforce



In a growing number of our major projects, diversity of employment has become a key objective when mobilising and resourcing project teams.

Turnover and absenteeism

During the course of 2008, Balfour Beatty experienced 9% voluntary turnover amongst its staff grades and 7% amongst its operatives. Involuntary turnover stood at 5% and 16% respectively in these categories.

Staff and operative absence levels ran at almost exactly 2% during the course of 2008. The highest operating company absence level was 3.6%, the lowest 0.6%.

Employee Recruitment

The quality of our workforce is vital to the Group's long-term success. The techniques and processes that we use to attract employees are becoming increasingly sophisticated.

We aim to recruit the best candidates to fill all positions by having a rigorous and efficient selection process, ensuring that career routes are clear and will provide the challenge, development and progression that the best candidates demand. We check that potential recruits have the values and standards of integrity we expect from all of our employees.

Managers responsible for selection interviewing attend training sessions as well as receiving support from our human resources professionals. This training reinforces our commitment to diversity and ensures our recruitment practices are fair and non-discriminatory.

We supplement interviewing with personality profiling, ability tests and assessment centres for many roles. Balfour Beatty has now introduced an application management system (I-GRasp) to ensure individuals who are unsuccessful in their application to specific operating companies are offered opportunities elsewhere in the Group.

Maximising Local Employment

Infrastructure creation and care is a local business. Success flows from an in-depth understanding and knowledge of regional and local markets and the deployment of local resources. Wherever possible, Balfour Beatty utilises local manpower, often specifically ensuring that it is maximising employment opportunities for minority groups.

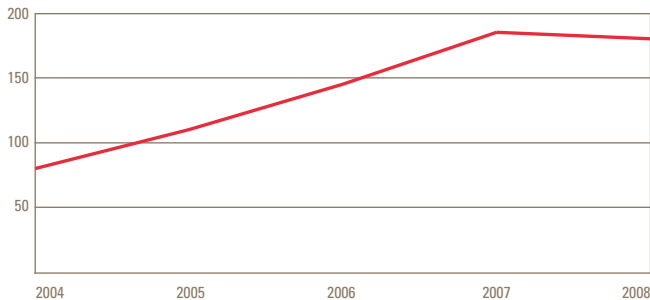
Graduate recruitment:

Balfour Beatty is a major employer of graduates. Over the last nine years some 1,118 have joined the Group from a wide variety of disciplines and backgrounds.

To facilitate this process, the Group employs a wide variety of materials and activities, including a custom-built website, a brochure and a variety of posters, presentations, stands, advertisements and leaflets.

During 2008, the Group displayed and presented at 50 Careers events. It has substantial long-term relationships with some 15 universities in the UK, US and Hong Kong, but over 50 universities were represented amongst the 185 graduates who were recruited in 2008.

Number of UK Graduates Recruited



Balfour Beatty graduates receive a carefully planned and structured induction programme. Although individual operating companies employ individual graduates, the process for recruitment, induction and development is designed and overseen by the Group. Their employing operating company provides induction upon employment. Each year all new graduates also attend a two-day Graduate Conference, at which they receive presentations from a range of the Group's senior management, including the Chief Executive. The two days gives them ample opportunity to meet senior management and to network amongst them.

Some months after their induction, graduates are invited into Group Head Office in small groups and spend half a day being updated on the latest developments within the Group, are offered the opportunity to share their early experiences with members of their peer group and a Company Director and to offer their views on how their early working experience could be improved.

Graduates apply on-line through a custom-built website, where they can search specific graduate and undergraduate positions based on degree discipline and company and geographical preference.

Reward and Remuneration

Balfour Beatty is a leader in most of the markets in which it operates. Market leadership not only offers the opportunity of superior financial returns, but also helps attract the best people at every level of our organisation.

We are not complacent and we are constantly seeking new and better ways to recruit and retain the best people and to offer them interesting and rewarding jobs within the Group.

Most of our operating companies conduct annual performance and development reviews for all employees and salaries are reviewed annually. We aim to ensure that pay and benefits are competitive through the use of external benchmarking and that an individual's reward package is commensurate with their responsibilities, and rewards performance without encouraging excessive risk-taking.

Our defined benefit pension scheme was closed to new starters in January 2003 and a defined contribution scheme is now offered.

Flexible benefits are available in some of our UK operating companies and all employees are offered the opportunity to join the company Sharesave Scheme after one year's employment.

In 2008, over 5,000 eligible employees accepted the invitation to participate in the Sharesave Scheme, compared to 4,300 in 2007 and 3,700 in 2006.

Training and Development

Investing in training and development is essential for Balfour Beatty: the skills and expertise we have available directly affects the success of our business. Below, we look at some of the ways in which we deploy training in our organisation.

Competence, Performance and Development

The Group invested over £20 million in training during 2008.

We are committed to managers and supervisors first and foremost having demonstrable competence in both appropriate management or supervisory skills and health and safety matters for operatives to be able to demonstrate an appropriate skill level and awareness of health and safety requirements. For example, our construction businesses use the Construction Skills Certification Scheme to provide minimum standards of competence and have an ongoing programme of NVQ assessments in support of the requirements of this scheme.

One of the responsibilities of our managers and supervisors is to give regular feedback to our employees. This is formalised in a Performance and Development Review process which takes place at least once a year and which provides answers to three key questions the employee is likely to have:

- How am I doing?
- How can I do a better job?
- What might the future hold?

The Performance and Development Review provides the opportunity for the employee to identify and agree development objectives with their manager and any training or coaching required.

The Review process is, successively, becoming embedded in our operating company processes. In 2008, 56% of staff had a formal performance and development review. 10 of our operating companies conducted Performance and Development Reviews for 70% or more of their employees. Numbers are growing in all of our established operating companies while the practice is introduced as soon as is practical following new acquisitions.

On and Off the Job Training

The best development is generally "through the job" by giving the employee the opportunity to undertake challenging and varied tasks, supported by guidance and coaching. In addition, a range of off-the-job training courses in technical, supervisory and management skills are also available.

We provide learning and development schemes for apprentices, trainees and graduates. For example, our structured Graduate Development Programme, which was refreshed in 2008, delivers modules on our core competencies of Leadership Development and Principles of Project Management, which we refreshed in 2008. Our training schemes are generally linked to professional qualifications and operating companies will organise events on site that help them meet the requirements of the qualifying institution. However, in 2008 Balfour Beatty Construction (Northern) identified a gap in existing qualifications and developed a postgraduate diploma with Salford University; more information on this project is available in our case studies section.

Effective teamwork is key to our success and to the engagement and motivation of our people on projects and contracts. The ability to build and lead a team is a key competency for our managers and the ability to be a good team member is a key competence for our employees. A variety of team-building activities is common on our projects, from tool-box talks and task briefings, community and social activities through to structured and facilitated team-building sessions with the main project stakeholders to establish a charter for how the team and project will operate.

Development Programmes

We recognise that a major responsibility for engaging and motivating people rests with those who are charged with leading the team and sub-teams. We invest in the identification, assessment and development of leadership skills. For example, we run Development Centres at a number of levels. These are often supported by 360 degree appraisals and together they provide feedback to the individual on their strengths and development needs.

We run management development programmes within operating companies and at Group level. For example, the Balfour Beatty Management Development Programme is a modular programme that draws delegates from across the Group, including our overseas businesses. As well as providing an opportunity for delegates to broaden and refresh their business management skills in areas such as strategy, innovation and leadership, it allows time for networking and sharing knowledge and experience between our diverse businesses.

Over 75% of all the senior positions currently held in the Group have been filled by internal promotion. We regard this as a sensible target proportion to both enhance long-term career development and to bring in fresh ideas.

Succession Planning

Each year a formal succession planning process takes place which involves reviews with each operating company in the Group. The focus of these reviews is on succession to the senior management in the Group and operating companies; on young managers showing high potential and on graduate recruitment and development in the business. The succession planning review is preceded and informed by a similar review within each operating company at business unit and functional level. The process provides a means of linking individual talents and aspirations to the needs of the business and to the wider development opportunities available in the Group.

Ethics and Behaviour

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

Significant activity in 2008:

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

During 2008, Balfour Beatty announced it was subject to an investigation by the Office of Fair Trading (OFT) into the tender activities across the construction sector. We have cooperated fully with the OFT in all aspects of its investigation, which is on-going. More on both these issues is available online at www.balfourbeatty.co.uk/bby/responsibility.

Whistle Blowing

In 2008 there were 28 issues and incidents reported through the Group-wide whistle blowing process (2007: 16). All issues are fully investigated by independent teams and closed out as quickly as possible.

Business conduct

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

Business Conduct Guidelines were produced in 2006. These explain, in detail, required behaviour. Our employee survey undertaken in 2007/8 confirmed that employees were aware of the Business Conduct Guidelines and that the great majority had received a personal copy.

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

Approximately two-thirds of all UK employees undertook the programme during 2008 with the remainder and our overseas employees due to be a core part of the programme in 2009.

Specific training for all employees is provided to ensure that the incidence and consequences of anti-competitive behaviour are fully understood and acted upon across the Group.

Our Stakeholder Codes of Practice are applied by operating company managers through the Group. This code of practice defines how they are expected to manage their relationships with all key stakeholder groups, including their employees.

In respect of employees, these requirements cover recruitment objectives, processes and systems, and always operating within appropriate legal and regulatory frameworks. It also requires managers to evaluate the performance of every employee, resolve any employee disputes at the earliest possible stage and to communicate openly, regularly and accurately with all employees.

Further, it requires managers to behave ethically in all respects, including honouring agreements and to act always in a non-discriminatory manner. These principles cover the full life-cycle of the company's relationship with its people from recruitment to retirement.

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

Employee Engagement

Balfour Beatty sets out to ensure that all its employees understand the strategy, performance and prospects of the Group and of the operating company that employs them and, in so doing, to engage all of its employees in achieving its objectives.

Management Communications

All the Group's results, the influences behind them and key developments and events taking place between results announcements, are communicated promptly to a senior management cadre of some 250 managers. This Group is then expected to cascade the information through their own organisations' as appropriate. All the Group's results and major announcements appear on its website and on operating company intranets.

Every year the Top 40-50 managers from around the Group attend a two-day meeting at which key issues relevant to the Group's long-term success are discussed and agreed. Every other year, a wider group of some 250-300 managers attend a two-day conference in London where they are updated on the Group's progress and other key issues. Both meetings afford important networking opportunities.

Employee Communications

Most operating companies run employee communication roadshows at which results and issues relevant to individual parts of the Group are communicated and discussed.

There is a Group magazine, "Update", distributed to all employees in all locations twice a year, which includes discussion of Balfour Beatty's results and key developments and news stories. Each operating company has its own internal communications systems, typically including newsletters, briefing meetings and an intranet. A group wide intranet has been under development during 2008 and will be launched in 2009.

Employee Satisfaction

Employee satisfaction levels and the monitoring of their attitudes and opinions is undertaken regularly through surveys in most of the Group's operating companies. The first Group-wide survey of employee opinion commenced in 2007 and was completed in early 2008. Action plans were identified as a result, with operating companies taking the lead. The survey confirmed that employees were aware of the Group's Business Conduct Guidelines and the whistle blowing policy.

The case studies section of this report describes the staff feedback survey in Mansell, and demonstrates how feedback has been used to improve culture in Balfour Beatty Construction Northern.

Employee Representation

Balfour Beatty recognises representative bodies that act on behalf of employees. In the UK, it has an active Staff Association with approximately 3,000 members. The company meets with senior staff association representatives on a regular basis, giving presentations on various aspects of the Group's business and taking representation on issues relevant to the interests of its members.

Trade Union recognition is dependant upon agreement with individual operating companies. The unions recognised in the Group are Unite/EESA, GMB, DMT, TSSA, PCS, Unisa and UCATT.

We estimate current trade union membership in our UK operations to be in the region of 3,500 individuals. New agreements are in the process of negotiation with Unite, GMB and Unisa.

There were no official union disputes during 2008.

Pensioners

The Schemes

Balfour Beatty runs a number of pension schemes. The main fund has around 17,000 pensioners and around 11,600 active members. Appropriate measures have been taken to safeguard the long-term future of the fund to fulfil its obligations. These measures include the closure to new entrants of the defined benefit sections in favour of a defined contribution section, which commenced in 2003, and the recent limitation on the growth in pensionable pay under some of the defined benefits sections.

At the end of 2008, the defined contribution section had c 6,000 members.

In addition to the main fund there are three other major funds in the Group covering those employed in our rail businesses and in Mansell:

Trustees

The Board of Trustees of the main fund is chaired by Alistair Wivell, a retired main board director of Balfour Beatty plc, with over 40 years service in the company. The board also includes a pensioner elected trustee who is a former Director of BICC, Balfour Beatty's parent company from 1969 to 1999.

Consultation

All changes to the scheme are subject to full member consultation, including the most recent, the restriction in growth of benefits in the defined benefits scheme to the RPI element of salary increases.

Communications

The Pension Department produces a newsletter each year which updates pensioners on the progress and financial performance of the Group, changes in the management of the main fund including any legislation changes and also it includes a section on the pensioners themselves.

During 2009 a new communication strategy is being rolled out within the main fund and this will include a new style newsletter for pensioners. Pensioner roadshows have taken place every three years, with all pensioners invited to attend a meeting at a convenient location to hear presentations about the main fund and have the opportunity of asking questions and making observations. The last roadshow in 2008 attracted approximately 1,000 pensioners at a number of locations around the UK.

A network of over 60 pensioner representatives, called Shepherds, is retained by the Group in order to act as focal points for pensioners' questions and concerns and to be alert to the need for personal assistance and welfare provision amongst the pensioner population. Shepherds meet once a year to get updates from the Company and the Pensions Department and are fully supported by a network coordinator.

2009 will see the creation of a new website for pensioners.

In this section:

Highlights and approach

[An overview of how we manage community relations, both in terms of project work and charitable donations.](#)

Working together with external organisations

[An overview of some of the organisations we work in partnership with to strengthen communities.](#)

Building Better Futures

[Our flagship programme for charitable fundraising in 2009](#)

The London Youth Games

[In preparation for 2012, we've committed to support Europe's biggest youth games.](#)

Get Into Construction

[Unlocking talent in unskilled young people through The Prince's Trust scheme](#)

Stoke Football Action

[A unique five-year project that has strengthened social cohesion through sport.](#)

Supporting education provision in Burnley

[How we're strengthening one local community through giving skills and expertise.](#)

Other Charitable Giving

[More on the other organisations we support around the world.](#)

Highlights and Approach

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

Balfour Beatty therefore regards good corporate citizenship as an integral part of its business mission. All of our projects consider how a change to the built environment might affect the community around it, and we seek to improve the social environment at the same time as we create and care for physical assets. The Group's propensity to take and respond to initiatives in the field of community engagement has increased substantially in recent years.

Moreover, we believe it right to seek to be a positive influence on the communities in which we operate at every level and through every part of the Group's activity range.

Groupwide principles

We also adhere to our operating principles in all engagements with the wider community, where we commit to

- develop constructive relationships with regulators, influencers and other interest groups and communities across the sector markets and geographies in which we operate
- work with all stakeholders in a manner consistent with our core values
- operate in accordance with both the letter and the spirit of the all relevant legal and professional standards in our dealings with the wider community
- communicate openly and appropriately with all stakeholders
- ensure that all our business and the associated relationships are conducted to the highest ethical standards
- honour all agreements made with stakeholders.

Project level community relations

It is the Group's policy that all our major projects should employ a specialist and dedicated community relations team and that all staff should engage positively with the local community in which they are operating. Balfour Beatty is often present for many months on a project location and often changes the environment in which it is working while it is there. During that time, its work impacts on a wide range of local stakeholders whose views need to be heard and who need to be clear about what we are doing, how we work and what we stand for.

On large schemes, this team arranges exhibitions for local residents and interested parties ahead of the commencement of work.

Newsletters and letter drops are then used to keep people up-to-date on key project milestones and potential disturbance.

Key stakeholders are offered direct access to projects and project staff and, when necessary, we liaise with local emergency services and the police, including setting-up help lines. Our success in engaging the communities that live and work near our project sites is significant in terms of delivering projects on time and on budget. This kind of community work can also help resource projects using local workforces; see the section on Recruitment for more on this.

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

To see how this worked in practice in 2008, read our case study on community relations on the M1 widening project.

Corporate Community Relations

The range of opportunities and potential programmes available to Balfour Beatty which would add value to the communities we serve is enormous. We believe that it is very important that whatever we do at corporate level is clearly focussed and makes a substantial and measurable contribution to a defined cause.

The company is, this year, celebrating its centenary. However, its focus is very much on the future rather than the past. For this reason, our chosen focus is on helping the young people make the most of their own futures.

We aim to improve the aspirations, motivation, quality of life and achievement levels of young people, particularly those suffering from some form of disadvantage. This overall objective finds its expression in a range of programmes and activities.

Operating company level community relations

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

In consequence, we have a variety of different models:

- fully integrated programmes, such as Lifeworks, delivered by Balfour Beatty Communities on the US Armed Forces bases where it has long-term responsibility for the family status housing stock
- semi-structured programmes, such as the one facilitated by Heery during its Community Service Month
- Individual and team initiatives encouraged and facilitated by Balfour Beatty Capital in the UK.

More on a variety of projects is available in the case studies section of our report.

Working together with external organisations

Tackling the big issues:

We seek to work in partnership with external organisations to combat some of the issues that connect with Balfour Beatty's core business.

Poverty

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

Corruption

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

Homelessness

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

Working with Business in the Community

Balfour Beatty has been a member of Business in the Community (BiTC) since its foundation. BiTC is a UK-based membership organisation that supports and encourages best practice in responsible business. One of the organisation's key objectives is to address key social issues and the needs of local communities in relation to education, employment and economic renewal. Over the period of our membership, we have been involved in a wide range of BiTC schemes and programmes.

Building Better Futures

For its centenary year, Balfour Beatty has set up a charitable trust fund to help focus the whole Group's energies in support of disadvantaged young people. Called "Building Better Futures", the fund's aim is to provide appropriate financial assistance to a wide range of projects and programmes, designed by experts to help young people advance in life.

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

Action for Children provides a wide range of services to children in need. Our efforts are being focussed on providing disability learning centres, initially, at five of the organisation's existing children's centres, throughout the UK. Mentally and physically disabled children, who are often denied the important developmental opportunities provided by interactive play, will have special play areas and facilities built and installed to help them develop and learn.

Outside the UK, through its international subsidiaries and joint ventures, Balfour Beatty will be funding programmes and causes appropriate to local need. Specific opportunities in the US and Hong Kong are in the process of being identified.

Balfour Beatty hopes, through a combination of corporate funds and money raised by its employees, to deliver up to £500,000 in 2009 to support these causes. One of many of these projects – supplying the Stoneside Family Support Centre with play equipment – is described in our case studies.

The London Youth Games

Sport is an important element in community cohesion and individual well-being. It promotes feelings of self-worth, helps encourage healthy lifestyles, teaches team skills and promotes social cohesion.

The London Youth Games is Europe's largest youth sports programme. It covers 33 sports and engages over 25,000 London school children from around the 32 boroughs and the City of London.

The London Youth Games Board aims to double participation levels by 2012. Balfour Beatty as the lead sponsor for the Games, for the period 2008 – 2013, has become its long-term partner, contributing over £1.7 million of core funding, distributing grants to boroughs with outstanding ideas for grass roots sports development, working closely with the Games organisers to increase the Games profile and launching a volunteering scheme to enable London-based Balfour Beatty employees to give their time and talents to improving participants' experience.

Last year, London Borough of Newham hosted a mini-games for 750 young people. The full story can be accessed in our case studies.

Get Into Construction

The Prince's Trust scheme, Get Into Construction, offers four weeks of basic construction skills training to disadvantaged young people aged between 16 and 25 around the UK. On completion of the course, these young people have a strong prospect of entering into full-time training or employment in the industry, where they can deploy and build the key skills provided on the course.

The initiative began in 2006 with Balfour Beatty as a founder member. Since that time more than 700 young people have been through courses, which include a short spell of work experience. 80% of these young people are now in full-time employment or training.

There are already 21 courses planned for 2009 with a large number of others in the pipeline. The great majority of major companies in the sector now participate in the scheme. In 2008 Balfour Beatty received an Award of Excellence from the Trust for its outstanding contribution to developing the programme.

Our case study on Get into Construction gives more detail on this project, including a description of how it's helped two individuals, James and Julian.

The various aspects of creating and caring for infrastructure generates employment for a large proportion of the working population. With infrastructure investment likely to be a principal source of fiscal stimulus through the recession, the sector is becoming an even more attractive destination for unemployed young people.

Stoke Football Action

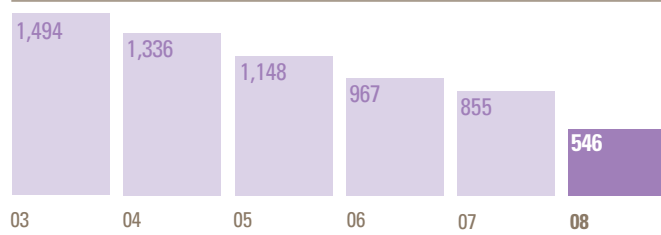
We believe we have a role to play in strengthening both physical and social infrastructure when we are brought in to work on a project. Stoke Football Action has been a successful five-year partnership, now in its final year, which we believe has made a real difference, both to individual wellbeing and community cohesion, in this part of the UK.

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

Balfour Beatty's proposal and its £100,000 commitment elicited a further £240,000 of funding from SportsMatch and the Football Foundation creating a scheme which has so far engaged almost 550 young people from 17 schools at both primary and secondary school level. The scheme has now been extended to include young offenders institutions and centres for pupils who have been excluded.

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

Total number of Vandalism Reports in Stoke-on-Trent to end December 2009



More on this project can be viewed in the case studies section of our report.

Supporting education provision in Burnley

As part of Balfour Beatty's on-going relationship with The Prince's Trust, Group Managing Director, Brian Osborne, participated in a Trust "Seeing is Believing" visit to Burnley in Lancashire in January 2008.

As a result, Balfour Beatty has committed to a range of actions to help improve the educational and social environment in the town.

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

The partnership has already generated a wide range of activities. These include:

Two young Balfour Beatty managers are supporting the schools team in the Young Enterprise (YE) programme. Armed with their advice, the school has the prize for Best Trade stand at the Lancashire Young Enterprise Christmas Fair and has won a place in Brussels to compete with teams from all over Europe.

Eleven Balfour Beatty volunteers are participating in a mentoring scheme in which they support 25 Year 10 pupils who are currently underachieving.

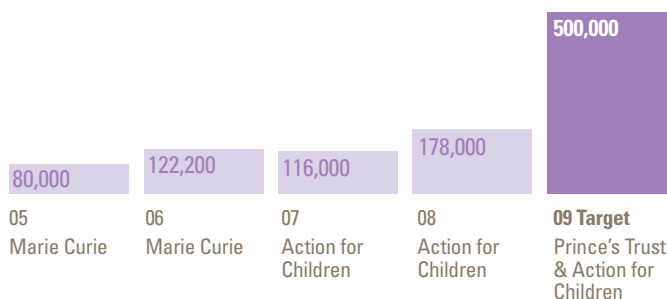
A senior Balfour Beatty manager is acting as an external tutor to a group of Year 11 Applied Business Studies pupils and another is mentoring the School's Head of Science.

We are offering work placements for selected pupils in their final term.

Balfour Beatty is contributing prizes to the School Reward system to mark notable progress in motivation, behaviour and general standards.

Other Charitable Giving

Contribution to Balfour Beatty Charity of the Year



Notwithstanding the 2009 focus on the Prince's Trust and Action for Children, Balfour Beatty employees and operating companies are encouraged to involve themselves in the charitable causes of their choice. Chief Executive, Ian Tyler, is President of CRASH, the homeless charity, and many employees choose to raise money or give time to support its work.

We retain a relationship with Marie Curie Cancer Care, which was Balfour Beatty's Charity of the Year in 2005 and 2006. We support RedR, the charity to provide for engineers to work in disaster relief and we are a supporter of Engineers Against Poverty, the international charity dedicated to the reduction of poverty in low income countries. Operating companies continue to support causes relevant to their own needs.

Employees are encouraged to give money, through payroll giving, and schemes such as Just Giving and to give their time through a range of volunteering programmes and opportunities around the Group.

Additional performance data

In this section:

Ensuring safety & health: data 2008

[Our full Safety & Health data from 2008](#)

Protecting the Environment: General: data 2008

[An overview of our general environmental data from 2008.](#)

Protecting the Environment: Climate Change: data 2008

[All of our climate change data from 2008](#)

Protecting the Environment: Waste: data 2008

[Our waste data from 2008.](#)

Protecting the environment: Water & Materials: data 2008

[Data on water and materials usage from 2008](#)

Valuing our People: data 2008

[An over view of our people management data from 2008](#)

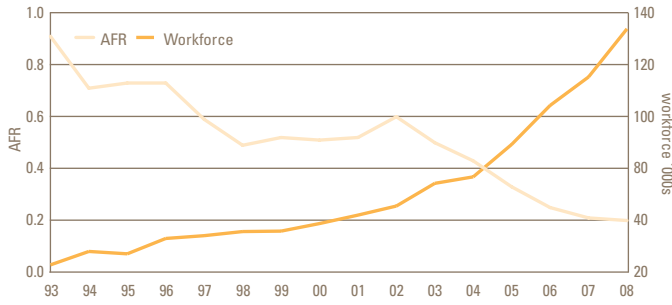
Engaging with communities: data 2008

[How we recorded our performance on the our 2008 community activity.](#)

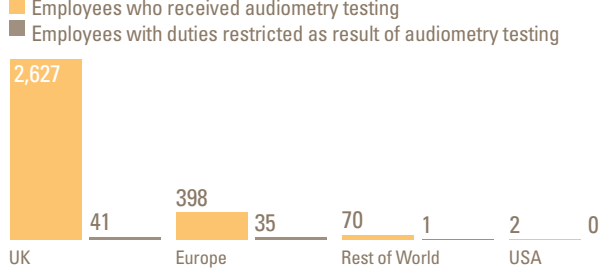
GRI index

[How we compared against GRI indicators in 2008.](#)

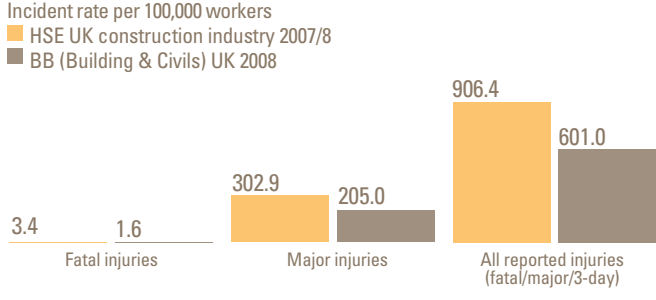
AFR for Balfour Beatty Group from 1993–2008



Employees receiving audiometry testing & subsequent reduction in duties

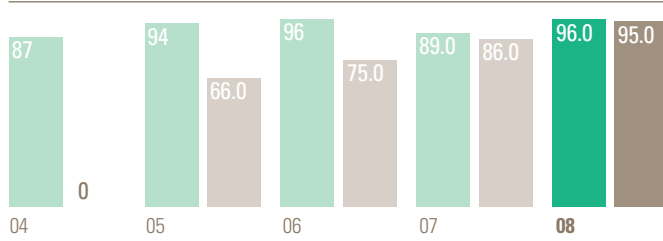


Comparison of Balfour Beatty UK Incidence Rates with UK construction industry



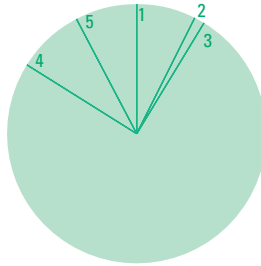
% of OpCo Certified to ISO 14001

■ UK ■ Non-UK (excluding US)



2008 UK Environmental Incidents by Type

| | |
|------------------|-------|
| 1 Discharge | 7.4% |
| 2 Emission | 1.3% |
| 3 Spill | 75.3% |
| 4 Disturbance | 8.4% |
| 5 Waste Incident | 7.7% |

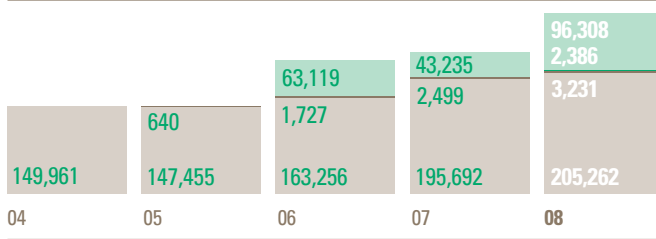


Global Environmental incidents by year

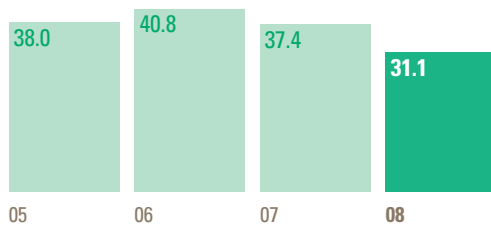
| | Significant | | | | | | Moderate | | | | | | Minor | | | | | |
|--------|-------------|----|----|----|----|----|----------|----|----|----|----|----|-------|-----|-----|-----|-----|-----|
| | 03 | 04 | 05 | 06 | 07 | 08 | 03 | 04 | 05 | 06 | 07 | 08 | 03 | 04 | 05 | 06 | 07 | 08 |
| UK | 0 | 3 | 1 | 1 | 0 | 0 | 21 | 11 | 8 | 9 | 8 | 14 | 284 | 265 | 270 | 270 | 328 | 285 |
| Non-UK | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 53 | 4 | 5 | 294 | 150 |

Global Absolute Tonnes Equivalent CO₂ (Excluding Air Travel)

■ UK ■ Europe ■ North America ■ Rest of World



Global Equivalent CO₂ per £m sales (Excluding Air Travel)



2008 Global absolute CO₂ emissions by source and region (tonnes)

| Region | Buildings (Scope 1 & 2**) | Vehicles & Plant (Scope 1* & 3) | Air Travel (estimated Scope 3)*** | TOTAL (including Air Travel) |
|-------------------|---------------------------|---------------------------------|-----------------------------------|------------------------------|
| UK | 51428 | 153,834 | 9,681 | 214943 |
| Europe | 286 | 2,946 | 404 | 3635 |
| North America**** | 1402 | 984 | 1,883 | 4269 |
| ROW | 15683 | 80,625 | 407 | 96715 |
| Totals: | 68798 | 238,388 | 12,374 | 319561 |

Notes:

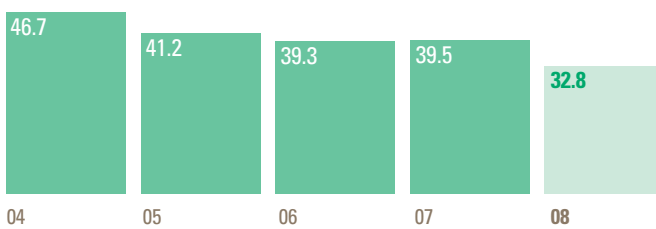
* Direct emissions (termed scope 1) from boilers, company owned vehicles and mobile/plant on project sites, and any releases of 'F-gases' – sulphur hexafluoride (SF₆) which is used in the power transmission and rail industries and HFC losses/leakage from building cooling systems).

** Indirect emissions from electricity use (Scope 2)

*** We estimated emissions from air travel for a second year in 2008 covering 60% of our operations.

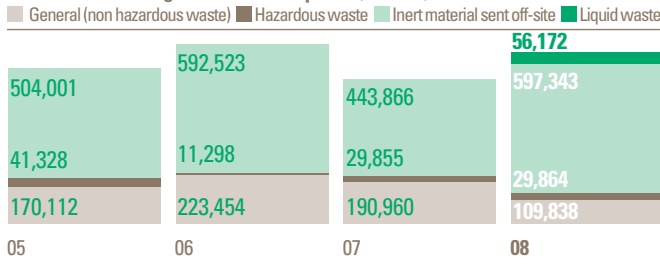
**** Estimated data from Balfour Beatty Communities only.

UK Tonnes Equivalent CO₂ per £m sales (Excluding Air Travel)

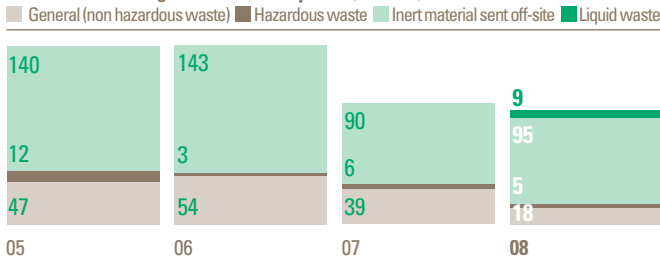


Trend data for CO₂ emissions is considered most robust for our UK operations. Our UK CO₂ emissions (excluding air travel) relative to £m sales have decreased by 30% from 46.7 tonnes in 2004 to 32.8 tonnes in 2008.

Total Absolute Weight UK Waste Disposed (Tonnes)



Total Relative Weight UK Waste Disposed (Tonnes)



2008 Waste disposed (to landfill/treatment) by region in Tonnes

| Waste Type | UK | Europe | ROW* | North America** | Total: |
|-------------------------------|---------------|-------------|--------------|-----------------|---------------|
| General (non hazardous waste) | 109838 | 210 | 38479 | 465 | 148992 |
| Hazardous Waste | 29864 | 977 | 1 | 50 | 30891 |
| Inert material sent off-site | 597343 | 3 | 4 | 0 | 597350 |
| Liquid Waste | 56172 | 16 | 3 | 0 | 56191 |
| Totals | 793217 | 1207 | 38487 | 515 | 833425 |

* Limited waste data provided by Dutco Balfour Beatty in the Gulf

** Estimate provided by Balfour Beatty Communities only

*** Reported for the first time in 2008

2008 Global waste recycled/recovered in Tonnes

| Recycled / Recovered Material (in Tonnes) | UK | Europe | ROW* | North America** | Total: |
|---|------------------|--------------|------------------|-----------------|------------------|
| Packaging | 4850 | 145 | 26 | 0 | 5021 |
| Plastics & Polythene | 2660 | 0 | 5 | 0 | 2666 |
| Metals | 37827 | 1447 | 4618 | 4 | 43897 |
| Paper | 1385 | 26 | 14 | 2 | 1427 |
| Inert material*** | 1329366 | 2360 | 1366158 | 0 | 2697884 |
| Other material**** | 70368 | 90 | 2 | 0 | 70460 |
| Incineration (no energy recovery)***** | 66 | 0 | 0 | 0 | 66 |
| Incineration (energy recovery)***** | 9871 | 0 | 0 | 0 | 9871 |
| Composting***** | 690 | 0 | 1 | 0 | 691 |
| Totals: | 1,457,086 | 4,069 | 1,370,824 | 6 | 2,831,983 |

* Includes limited data from Dutco Balfour Beatty in the Gulf

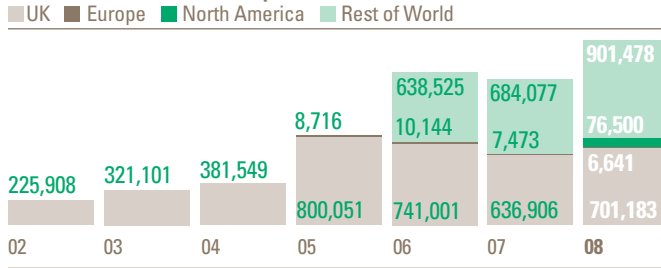
** Estimate from Balfour Beatty Communities only

*** Inert material includes concrete, soil, glass, bricks, tiles and ceramics

**** Other material includes batteries, fluorescent light tubes, switches etc not reported elsewhere

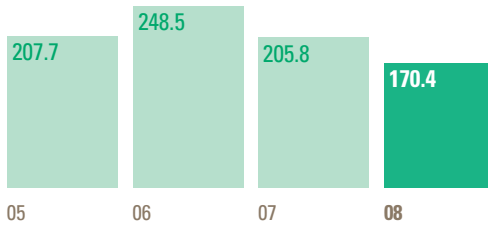
***** Reported for the first time in 2008

Global Absolute Water Consumption 2002-2008



2007 data restated

Global Relative Water Consumption 2005-2008/£m sales



2008 Global water use by region (m3)

| Region: | Office | Industrial* | Project Site | Abstracted Water | Total Volume (m3) | Total relative to £m NSV |
|------------------|--------|-------------|--------------|------------------|-------------------|--------------------------|
| UK | 160716 | 297667 | 241880 | 920 | 701182 | 112 |
| Europe | 6249 | 197 | 195 | 0 | 6641 | 15 |
| North America** | 76500 | 0 | 0 | 0 | 76500 | 34 |
| Rest of World*** | 32734 | 215226 | 653518 | 0 | 901478 | 951 |
| Totals: | 276199 | 513089 | 895592 | 920 | 1685801 | 170 |

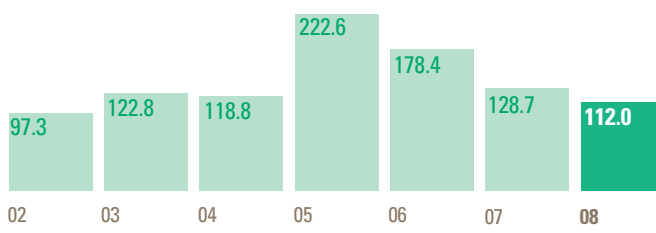
* Manufacturing sites, highways and other depots

** Estimated for Balfour Beatty Communities only

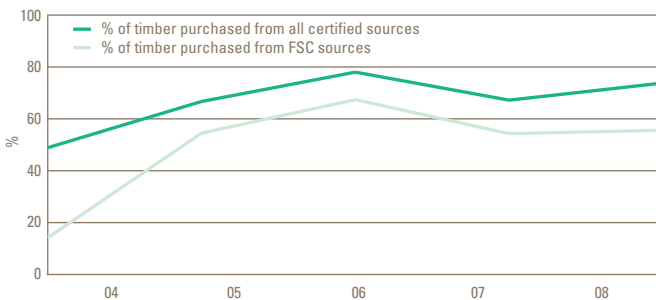
*** Includes Dutco Balfour Beatty in the Gulf

UK water consumption / £m sales 2002-8

UK Relative Water Consumption 2002-2008 / £m sales

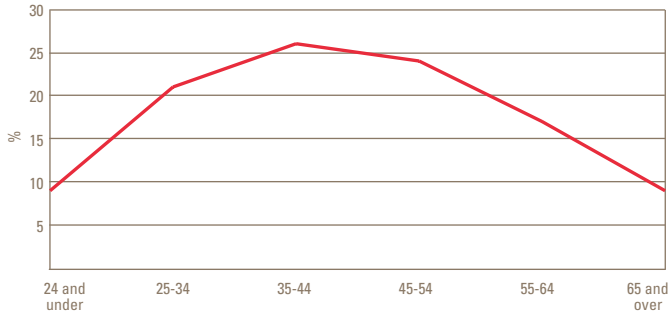


UK Timber Spend %

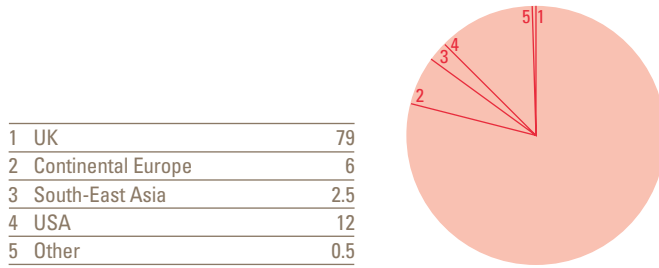


Our use of water in the UK, at 112 m3 per £m sales reduced by 13% in 2008 over the year (129 m3 / £m sales, 2007).

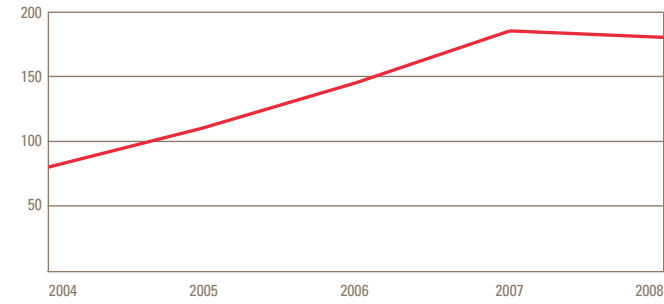
% of Employees in Each Age Category



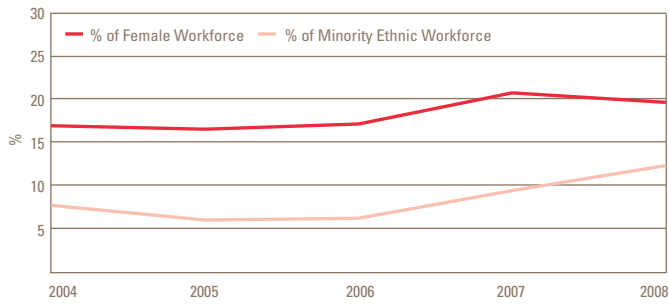
% Employees 2008 by region



Number of UK Graduates Recruited



% of Female Workforce and % of Minority Ethnic Workforce



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

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

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

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

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

Regular reports on progress are made to the Board of Balfour Beatty plc, and a further update will be provided in future Corporate Social Responsibility Reports.

Balfour Beatty 2008 Corporate Responsibility report has been self assessed at Level C+ against the GRI3 Reporting Framework. Contained in 2008 Annual Report and Accounts (ARA) are a number of the GRI criteria relating to strategy, economic reporting and governance.

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| | 1.2 Key impacts | ● | Global Issues, p4 |
| Organisation profile | | | |
| | 2.1 Name of organisation | ● | Our Commitment, p1 |
| | 2.2 Brands, products/services | ● | About our Business, p8 |
| | 2.3 Operational structure | ● | About our Business, p8 |
| | 2.4 Location of head office | ● | About our Business, p8 |
| | 2.5 Countries of operation | ● | About our Report, p12 |
| | 2.6 Nature of ownership | ● | About our Business, p8 |
| | 2.1 Markets served | ● | About our Business, p8 |
| | 2.8 Scale of organisation | ● | About our Business, ARA, p8 |
| | 2.9 Significant changes in operation | ● | About our Report, p12 / About our Business, p8 |
| | 2.10 Awards received | ● | Safety Awards , p25 / Awards and benchmarking, p37 |
| Report parameters | | | |
| Profile | | | |
| | 3.1 Reporting period | ● | About our Report, p12 |
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| Scope & Boundary | | | |
| | 3.5 Defining content | ● | CR Objectives, p2 / Global Issues, p4 |
| | 3.6 Boundary of report | ● | About our Report, p12 |
| | 3.7 Exclusions from scope | ● | About our Report, p12 |
| | 3.8 Joint ventures & subsidiaries | ● | About our Business, p8 |
| | 3.9 Data measurement techniques | ● | Climate Change, p30 / Waste, p32 |
| | 3.10 Restatements | ● | Waste, p32 |
| | 3.11 Significant changes | ● | About our Report, p12 |
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| | 3.12 GRI Table | ● | |
| | 3.13 Assurance statement | ● | About our Report, p12 / Stakeholder Panel, p77 |
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| | 4.1 Governance of SEE matters | ● | Governance and ARA, p10 |
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| | 4.8 Code of Ethics | ● | Principles and Policies, p9 / Ethics, p43 |
| | 4.9 Risk assessment and management | ● | Risk, p11 |
| | 4.10 Process for evaluating the highest governance body's performance, including SEE performance | ● | Risk, p11 |
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| | 4.12 External economic, environmental, social charters or other initiatives subscribed to | ● | Global Issues, p4 |
| | 4.13 Membership of Associations: Strategic | ● | Global Issues, p4 |
| Stakeholders | | | |
| | 4.14 List of Stakeholders engaged | ● | Stakeholder Engagement, p13 / Stakeholder Panel, p77 |
| | 4.15 Defining stakeholders | ● | Stakeholder Engagement, p13 |
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| Compliance | EN22 Total weight of waste | ● | Waste, p32 |
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| | LA6 Worker representation on health and safety committees | ● | Key Hazards, p19 |
| | LA7 Occupational health & safety data | ● | Safety Targets and Performance, p21 |
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Case Studies

This section of our report tells some of the corporate responsibility success stories from Balfour Beatty in 2008.

Promoting Local Employment in Westminster

Balfour Beatty is responsible for maintaining the roads and street lighting in Westminster. It set out to employ local young people from deprived and neglected demographic locations.

A two-week training and taster course was designed for 8 young people to give them experience of all elements of highways and public lighting management and maintenance. At the end of the initial trial 2 young women were employed directly by the contract team and 5 others found work with other Balfour Beatty companies.

The Westminster Management team decided to move the project on one stage further and engaged customer and other partner organisations in running a similar enterprise in partnership. This scheme now allows candidates to experience not just Balfour Beatty's workplace but also the customers'.

Balfour Beatty has now offered employment to another 10 young people who would never otherwise have been provided the opportunity to make a contribution to the communities in which they live.

The benefits to Balfour Beatty have been to add to our workforce with individuals who are experienced in safety, quality and environment skills. These trainees will become the supervisors of the future. The scheme also contributed to a positive change to our workforce culture, expectations and dynamics due to the injection of youth in an industry struggling to capture young people. The trainees bring with them a real pride and ownership of their "patch" in their communities.

Community Relations on the M1 Junctions 6–10 Widening Project

The project to widen a busy section of the M1 motorway comprised the construction of new buildings and new interchanges, widening carriageways and bridges, demolishing of many old structures and implementing a complex system of traffic management throughout.

Before and during the construction programme, good community relations were of paramount importance.

Before commencement of the project, presentations were made throughout surrounding areas, including an exhibition, schools and business visits and a media campaign and leaflet drops.

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

Regular charitable donations were made to local good causes and to the Air Ambulance Service and the project participated in the local country show.

A dedicated community inbox allowed local residents to post opinions, questions, suggestions and complaints and a 24-hour 7-day helpline was available for residents and road users.

Heery's Community Service Month

In 2008, for the first time, Heery, Balfour Beatty's US professional and technical services specialist, held a company-wide Community Service Month.

The objective was to create a programme that would unite the company, across office boundaries, in delivering community benefits across the US. As President Bill Heitz put it:

"Community Service Month presented the opportunity to say that we, as a united company, are committed to giving back to the communities in which we live, work and play."

The programme objective is simple. Heery teams do a collective good deed in the areas of home building and repair, schools and children or the environment and in so doing build relationships and strengthen ties within the internal Heery community.

Approximately 425 employees, family members and vendors participated in the first event, with the beneficiaries including Boys and Girls Clubs, Habitat for Humanity, Jackson Memorial Foundation's Kid's Fund, Oregon Food Bank, Ventura Coastal Cleanup and elementary and middle schools.

A team of 30 from Baltimore and Washington, including spouses and children, cleaned up the debris along their local shoreline to enable local wildlife to flourish.

A team from the Miami office organised a children's outing for the International Kids Fund, taking hospitalised children to the Miami Seaquarium.

Elsewhere a camp for low income children was renovated, schools were given facelifts and parts have been restored.

The success of Community Service Month means it will become a standard feature of life in Heery from now on.

Lifeworks at Balfour Beatty Communities

Balfour Beatty Communities builds and maintains family housing under 50-year concessions on 45 US Army, US Air Force and US Navy bases across the United States. The company is responsible for the creation and care of the physical living space for US service families, whose heads are often away on active service.

The company believes that it is right to extend its work beyond the requirements of the contract so as to help create a strong sense of community among residents, enable families to get to know one another, develop friendships and promote pride and cohesion in the community. Lifeworks is all about wellness – feeling well in body and mind.

Balfour Beatty Communities develops and plans programmes, activities and events tailored to the needs of service families. These include community service programmes (for example, helping residents participate in Habitat for Humanity), intellectual programmes for children and adults (for example, computer usage workshops), life management programmes, personal safety programmes, physical well-being programmes, social programmes, (including bowling parties, video game tournaments, barbecues, etc) and specially tailored programmes for those left behind when their spouses/parents are away on active service.

Each community has its own Lifeworks website to keep residents informed of upcoming events and satisfaction levels are measured to ensure the right mix and balance of activities is being achieved.

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

The Prince's Trust Community Cash Award

Balfour Beatty's funding of The Prince's Trust Community Cash Award scheme is enabling a wide range of initiatives to help young people and communities take place. The current projects are:

Love is the Answer

"Love is the Answer" is being run by four unemployed young people in Birmingham who know each other through their involvement in a youth venue set up in disused premises in a particularly run down area of Birmingham that works to help local young people change their ways and develop their talents.

The project involves creating a CD of music written and performed primarily by the project participants, but which also includes other talented young people who attend the youth centre. The aim is to promote a positive image for other young people in the community. The group has been extremely proactive and has enlisted the help of local professional musicians who have donated their time and expertise free of charge. Balfour Beatty funding is the last piece in the jig saw, helping them to prepare for their launch event with live performances.

The participants want to become role models in their community. They want to help other young people with musical talent to develop their skills and confidence to in their turn become role models as well. By showing young people from their neighbourhood that there is an alternative route to achievement, they foresee a snowball effect that will leave far fewer young people exposed to the lure of gang culture and knife crime.

Motiv8 Activ8

Six young people from Manchester are keen to offer diversionary activity for their peers, to reduce the likelihood of them becoming involved in either criminal activity or drug and alcohol use.

"Motiv8 Activ8" is being run in an area of Middleton which has a reputation as something of a no-go area for youth workers. The young people in this area are therefore particularly poorly served by activities and many of them are also disengaged from school. A pilot project offered activities for local young people and attracted over 70 participants, however due to insufficient funding the pilot programme came to a halt.

The team are resurrecting this project by running both football and dance session for local young people. They have a wide range of complimentary skills and abilities including football coaching and dance tuition as well as strong organisation skills. This will be their first experience of leading a project and they share a determination and eagerness to see this project succeed. They hope "Motiv8 Activ8" will not only act as a diversion for local young people, getting them off the streets and away from temptation, but will also improve participants' health, self-esteem and confidence.

Stoke Football Action

The Balfour Beatty/City of Stoke-on-Trent initiative "Football Action", was launched in September 2006. It's aim, following on from the Community Football Development Programme which Balfour Beatty specialist company, Transform Schools, has funded from 2003-2006, was to reduce vandalism and other anti-social behaviour in identified problem locations, using football coaching and competition as a vehicle. Young people identified as current perpetrators or at high risk of committing random attacks were referred to the scheme by schools.

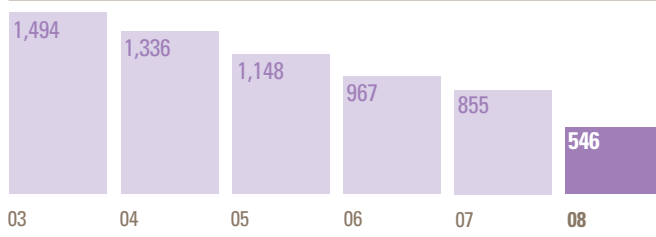
The original scheme engaged over 1,000 young people, assisted over 60 accredited leadership awards and reduced vandalism in priority schools by 32%. Football Action continues to engage hard-to-reach young people within identified schools and communities and also aims to develop a network of partner organisations and coaches through volunteering.

Under the Football Action scheme, school inclusion officers nominate young people who are at risk of social exclusion in targeted schools to participate in the scheme.

By the end of 2008, 546 young people had participated in coaching and competitions, including over 50 girls. This represented programmes running in 9 secondary schools, 8 primary schools and 2 REACH centres for temporarily excluded pupils as well as three general sessions at local sports centres (see chart below). The overall impact on the prevalence of vandalism in the city has been dramatic.

Plans to date for 2009 cover 133 young people at 7 schools, three REACH units and for the first time with young offenders through the National Association for the Care and Resettlement of Offenders (NACRO).

Total number of Vandalism Reports in Stoke-on-Trent to end December 2009



Get Into Construction

In 2006, Balfour Beatty was a founder member of the Prince's Trust's Construction & Business Services Leadership Group, funding the Get Into Construction initiative. This scheme offers training in basic construction skills to disadvantaged young people between the ages of 16 and 25 and the strong prospect of entering into full-time training or employment in the industry.

Balfour Beatty has been instrumental in promoting the scheme across the sector, adding value to the course by presenting to the participants on the reality of working in construction, supporting the locations of the course by ensuring that courses are run where there is work and also offering training and work experience opportunities to participants.

By the end of March 2009, 710 disadvantaged young people have been through a course and 80% of them have moved on to find a future within our industry.

There are already 21 courses planned for 2009/10 with more in the pipeline.

The following stories show how Get into Construction has helped two individuals – Julian Leonce and James Murray.

Julian Leonce had been unemployed for two years and was living in a hostel when a friend suggested he went along to a recruitment day at the Prince's Trust to see if he would be interested in taking part in their Get Into Construction programme, set up by Balfour Beatty and a small number of other Trust partners in 2006.

In February 2008, he was accepted onto one of the 20-day courses and quickly got to grips with skills such as bricklaying, tiling, patio laying and dry lining. Julian was surprised at the sense of achievement the course gave him. "I enjoyed tiling the most", he says, "and I seemed to be really good at it. I thought wow, I can do this. Before the course, I would never have thought I could make a patio or build something from bricks."

After the course, Julian volunteered as a Prince's Trust Ambassador and at the UK Building Awards, stood up in front of 1,800 people from the construction industry to talk about his experience.

Julian is now working as a labourer and adding to his skill base. His ultimate goal is to start up his own business.

James Murray is a successful graduate of the Get Into Construction initiative.

By the age of 10 James was drinking, using drugs and involved in anti-social behaviour. As 14 he had a criminal record and by 20 he had been sent to prison. Upon release he wanted to get his life on track and joined the Get into Construction programme. From day one he worked hard and felt that it was the first time that someone had given him an opportunity and he wasn't going to waste it. James now has a fulltime job with Heron Bros. He is happy and motivated with a great career ahead of him in the construction industry.

The Newham Mini-Games

Many of the events of the 2012 London Olympics will take place in the main Olympic park in the London Borough of Newham. The Borough is a successful participant in the Balfour Beatty London Youth Games but wants to attract more children from the primary school years to get involved in sport.

In 2008, the borough held its first ever mini-games in which 750 young people in 110 teams from 35 schools competed in five sports. The winning school from each sport went on to compete in the finals at Crystal Palace in early July.

On 1 December, Newham was awarded a £5,000 Balfour Beatty Sports Development grant to repeat and improve on its Mini-Games concept to help further boost sports participation in schools. This is part of the long-term aim of increasing physical activity in the borough as a whole, which suffers from multiple deprivation and where physical activity amongst adults is the lowest of all the London boroughs. Offering positive sporting opportunities early in life opens up the possibility that participants will grow into adulthood with sport being a natural part of their life.

The grant money is, initially, being used to pay for a Newham Primary School Swimming Gala and a Newham Primary School's Hockey Festival.

Equipping Stoneside for Disability Play

Action for Children's Stoneside Family Support Centre in Glasgow gives disabled children the chance to take a break from their routine and get together with other young people who have similar needs. At the same time, its short breaks service gives parents and carers a break, too, which can make a big difference for the whole family.

Children with mental and physical disabilities often miss out on the enormous developmental and learning benefits of playing, with poor or no access to the specialised equipment which they need.

Balfour Beatty's corporate and staff donations have paid for new disability play equipment which is in the process of being installed at Stoneside Centre. As a result, children at the centre will have new opportunities to have fun and grow.

Working Towards Zero Waste to Landfill by Recycling of Rail Ballast

The Challenge

Balfour Beatty Rail Projects, working through the Track Alliance operating out of Ruislip depot in the UK, handles and disposes of approximately 75,000 tonnes of used ballast per annum from the above ground sections of the London underground network. During 2007, a recycling rate for used ballast of 84% was achieved (62,822 tonnes). However, the remaining 16% of the used ballast (12,011 tonnes) was not recycled and had to be disposed of as hazardous waste landfill (contaminated with oil) or to inert landfill (containing excessive clay or geotextile sheeting).

The Solution

The clean ballast (non-hazardous fraction) will continue to be recycled by a specialist contractor at the Acton Town depot for re-use as Type 1 aggregate in construction. Balfour Beatty Rail Projects have also identified new processes that allow the remaining ballast, once treated, to also be recycled and diverted from landfill.

The hazardous waste ballast is now treated using an innovative bioremediation process at a local treatment plant. The treated ballast material is then re-used for road and engineering applications for site restoration at a local landfill rather than being disposed of.

The remaining inert waste ballast is re-processed by another specialist contractor to remove excess clay and geotextile sheeting, allowing the aggregate to be re-used.

The Benefits

These new treatment techniques will virtually eliminate ballast waste to landfill from the Track Alliance's overground work on the London Underground network (approximately 12,000 tonnes of material per annum). These changes will save approximately £300,000 per year on hazardous waste and inert waste landfilling costs.

Additional benefits will also be realised in terms of a lower carbon footprint from transporting the waste. The round trip by road to the hazardous waste landfill in Dudley was 194 miles. This has been reduced to just 22 miles for the trip to the bioremediation facility in Colnbrook.

The next challenge, is to identify a suitable recycling route for the much smaller quantities of pea shingle ballast taken from the below ground sections of the contract. Approximately 200 tonnes per annum of hazardous waste is sent to landfill.

Recycling 1 million tonnes of aggregates on the M1 is an award winner

The Challenge

How to make the M1 widening project, south of Luton as sustainable as possible. The aggregate demand for this project was a huge 1.1 million tonnes. Sourcing and supplying enough recycled material to meet demand would be key as would guaranteeing product quality and avoiding timing delays to secure the necessary permissions for waste processing facilities. The Balfour Beatty Major Civil Engineering and Skanska joint venture team set about the challenge and applied a number of valuable lessons learnt during the widening of the M25 motorway near London's Heathrow airport during 2003-4.

The Solution

The demand for primary aggregates needed for the project was reduced through a combination of recycling waste materials from on-site demolition of structures and construction waste plus importing supplies of recycled aggregate construction and demolition waste from other projects. A massive 1 million tonnes of recycled aggregate were delivered in this way, 93% of the total required.

Early planning permission from the local authority and securing the required permits from the Environment Agency were critical in establishing the projects own recycling centres at junctions, 8, 9 and 10. An off-site recycling facility was secured first to facilitate the early supply of material and provide back-up at times of high demand. Planning this phase of the work and identifying sources of waste material for processing took place 6 months before the contract start date.

Careful planning continued with the positioning of the mobile crushing plant and stockpiling of processed aggregates to avoid cross-contamination and ensure the required material quality. Rigorous quality control procedures through waste acceptance testing and inspections by trained staff to screen out non-compliant material and regular analysis by UKAS accredited labs was undertaken to guarantee material quality.

Good management practices were also applied for other wastes generated by the project. A full time waste controller was appointed to manage dedicated skips on site, purchased specifically for this project to segregate construction and demolition waste. A waste compound was segregated to control and segregate waste into 6 separate types.

The Benefits

The benefits were fourfold:

1. Reduction in primary aggregate demand of 1 million tonnes
2. Avoidance of 800,000 tonnes of waste that would have otherwise gone to landfill
3. Cost savings of £3 million due to avoidance of landfill tax and the aggregates levy
4. 1 million fewer truck miles than would otherwise have been travelled, saving an estimated 1,700 tonnes of CO₂.

Award Winning

The M1 project was an example of embedding sustainable construction principles on a large scale. The BBS team were awarded a UK and an International Green Apple award for best practice in waste management in construction in 2008 and a Highways Agency environment award, as well as an considerate contractor award.

Aggregates Recycling Centre on Site

Type 1 Sub-base and starter layer production

Birse Civils Delivers a Sustainable Solution in a Sensitive Ecological Area

Eaves Green Link Road is a 1.4km single carriageway completing the southern and western bypass of Chorley in Lancashire, UK. Birse's works included a new roundabout, a traffic-signal controlled junction and a 60m, 3-span concrete bridge. The 11-month scheme was constructed by Birse Civils and completed 15 weeks early.

The Challenge

As a former manufacturing base, the local area around Eaves Green was a key area for employment creation. The Eaves Green Link Road was designed to facilitate the development of the area and open up new employment opportunities.

However, the scheme was situated in a sensitive environmental area alongside the River Yarrow and ancient woodland at Duxbury Woods. Protecting local wildlife was a key consideration, not only during construction but also as a long-term objective. Achieving environmental best practice would be central to the success of the scheme in terms of ecological protection, use of sustainable materials and waste management practices, in addition to minimising noise and vibration impacts during construction.

The Solution

A sustainable urban drainage system successfully created new habitats for Great Crested Newts, with a 'hibernacula' (shelter for hibernating animals) and adjoining tunnels between the ponds to allow the newts to cross the road safely. In addition, 78 bat boxes were installed around the site.

As the River Yarrow contains breeding Sea Trout, a 1m exclusion zone was created around the river bank to prevent any contamination or disturbance of the watercourse. To protect the ancient woodland identified on the site, the precious topsoil from excavated areas was moved to a receptor site where its native species can continue to thrive.

Preference was given to using recycled materials in the construction. Following advice from Birse Civils, Lancashire County Council elected to use an innovative lime and cement stabilisation process to treat the material in-situ and reduce significantly the generation of excavation waste and the need to import additional fill material.

A tinted perspex environmental barrier on the bridge also prevents noise disturbance to the river valley below.

The Benefits

- Increased biodiversity by providing enhanced animal habitats
- Preserved ancient woodland and provided new access to Duxbury Woods
- Preserved natural resources through 84% of materials by value having recycled content
- Eliminated 24,000m³ of waste material and avoided the need to import additional fill.
- Reusing this site won material eradicated 6,000 wagon journeys resulting in 98% reduction in carbon emissions from waste/fill haulage (equivalent to 162 tonnes of CO₂) and a further reducing in associated traffic noise and disturbance.
- 81% of the sub-contractors were employed from within 15 miles of the site
- Laid the foundations for future residential and employment development in the area by improving access to local facilities, in particular schools and employment areas, and established viable public transport routes for the Eaves Green community
- Helped share best practice in innovation and sustainability by hosting site visits from members of the Salford Centre for Research and Innovation in the Built Environment.

This scheme won Builder and Engineer magazine's Civil Engineering Project of the Year 2008 and was also shortlisted for the environmental and sustainable company of the year at these awards.

BB Construction US Delivers Florida's First LEED Certified Elementary School

The LEED (Leadership in Energy and Environmental Design) Rating System was designed by the US Green Building Council to encourage and facilitate the development of more sustainable buildings. It adopts a similar scoring system to that used by BREAM in the UK.

When Charlotte County in Florida decided to pursue LEED Certification for all their school buildings, the Baker Center Elementary School, was already under construction and into an 11 month schedule. The building was not designed to achieve LEED certified status, but through a concerted effort by the County, the design team and Balfour Beatty Construction US and its sub-contractors, the project was LEED certified in March 2008, the first elementary school in Florida to achieve this level of sustainable building.

Design changes that were implemented to achieve LEED were:

- Revised interior and exterior lighting
- 98.5% of construction and demolition waste was diverted from landfill and recycled
- 34% recycled content by value incorporated within the building
- Revised HVAC systems to optimise energy performance
- Use of native plants to avoid the need for an irrigation system, and
- 41% reduction in water consumption through low flush systems and other water saving technologies.

Sharing Best Practice to Deliver Cleaner Air in Hong Kong

The Challenge

Over the years, Hong Kong's deteriorating air quality has caused great concern among the general public, tourists and investors. Air pollutants come from factories, vehicles, power plants and many other sources. The most common air pollutants are sulphur dioxide, carbon monoxide, nitrogen oxides, suspended particulates, volatile organic compounds and ozone. They are known to cause a number of health problems ranging from respiratory disorders to cancer.

Gammon Construction, Balfour Beatty's joint venture with Jardine operates out of Hong Kong and is a major player in the construction market in Hong Kong, mainland China, Singapore and Macau. Serving local communities and making a positive contribution to improving local air quality was important to Gammon.

The Solution

The Hong Kong Authorities joined forces to encourage businesses to implement a voluntary charter on air quality. The Charter lists the key areas where companies like Gammon can help to reduce air pollution. These include:

- Publishing energy, fuel use and air emissions data;
- Adopting energy efficient measures in their operations;
- Identifying and encouraging business relevant measures to be taken on days when air pollution levels are high; and
- Sharing best practice in air quality improvement / emissions reduction.

The Benefits

Over 600 organisations have endorsed the Charter. Gammon is the only construction company to have signed up and believes it can make a real contribution to cleaner air by committing to energy saving.

Gammon has the largest plant fleet in Hong Kong, comprising over 1,300 units. A preventative maintenance programme has been established to reduce air emissions and an in-house Energy Innovation Group set up to investigate energy efficiency opportunities. Successes include much more energy efficient project office cabins which are being rolled out across new construction projects, reduced dark smoke emissions from derrick barges through more efficient diesel pumps and the installation of 570 mini wind turbines at the Gammon Innovation Park to provide for its lighting needs.

Also, by sharing its best practice in energy conservation and emissions reduction, Gammon is providing a leadership role in encouraging other organisations to do the same, benefitting the wider communities of which it is part.

You can download the Gammon Clean Air Certification Scheme report and learn more about its comprehensive management systems and air emissions reduction programmes at www.cleanair.hk/eng/certification/report/rep_gammon.pdf

Sustainable Construction and Demolition Site Waste Management at Birmingham New Hospital

We published a case study on this project in 2006. Two years on we re-visit Birmingham New Hospital to highlight the innovative approaches to waste management deployed on this project. Extensive use of modularisation and off-site manufacturing techniques, close tracking of sub-contractors' waste, extensive recycling and re-use of wastes, including producer responsibility for take back and re-processing have been successfully deployed with significant results.

The Birmingham New Hospital Project is for the design and build of a £582m suite of new healthcare buildings providing both acute and mental health facilities in Edgbaston, Birmingham, UK.

The Challenge

First and foremost, this complex project of significant size with 1100 beds, 30 operating theatres and teaching facilities in a logistically demanding city centre location, in close proximity to housing and sensitive ecological areas. Space is restricted. Demolition and occupation of buildings on site requires careful management to ensure the on-going operation of other parts of the hospital. From the outset, BHNJV established a sustainable construction plan to help secure the required planning permission and deliver a sustainable building of which all those working on the project could be proud.

The Solutions

The design team created a scheme which incorporates the use of modularisation and standardisation enabling fabrication to take place offsite. This significantly reduces waste created onsite during construction, including product packaging and through reworking as well as reducing construction times and improving safety performance. Over 600 shower and WC pods have been produced at our factory in West Bromwich, close to the site and delivered fully fitted out with sanitary ware and accessories limiting site operations to positioning and connection of services.

We also introduced an innovative ward wall system. 300 ward wall modules were delivered to site with services already installed, these complete panels include sockets, medical gases, nurse call, lighting with all wiring and piping built in. The concept of modularisation was extended to the boiler rooms, with complete sections of boilers and associated plant lifted into position to a height of 50m for fitting together. Movements of materials on to site are on a "just in time" basis.

Each wheelie bin on site is bar coded and weighed to facilitate waste monitoring and is tracked back to specific trades and phases of the project. This helps to identify solutions for specific waste streams. Extensive recycling arrangements are in place for wood, paper, metal, vinyl floor coverings, furniture and plasterboard – often through supplier agreements to take back these wastes for recycling as a condition of contract.

Mobile crushing unit was brought on site to produce the hardcore for the multi-storey car park from the demolition of the old mental health building.

| | tonnes to landfill | tonnes re-used on site |
|--|--------------------|------------------------|
| Demolition of Mental Health Buildings | | |
| Recycled Hardcore | | 15066 |
| Un-recycled loose demolition material | 832 | |
| Recycled Metal | | 761.84 |
| Recycled Plasterboard | | 133.3 |
| Recycled Timber | | 134.24 |
| Total tonnes | 832 | 16095 |
| % disposed vs recycled/recovered | 5% | 95% |

The hospital construction involved large scale excavations. 49,500m³ of excavated material has been reused offsite and we have reduced the amount of virgin material brought onto site by importing and recycling 16,000 m³ of secondary aggregates on the project.

Waste management is close to achieving real 'closed loop recycling'. Waste ceiling tiles from the fit out of clinical areas of the hospital are returned directly to the supplier and kept separate from other wastes for re-processing. This material is crushed, reformed and stamped into new ceiling tiles and returned to Birmingham New Hospital for re-use in non-clinical areas such as cleaners and storage rooms. 2 tonnes of ceiling tile waste was collected and returned to site in this way in 2008 – a small but significant step forward in working sustainably, in partnership with the supply chain.

The Benefits

- Significant quantities of waste avoided through extensive use of modularisation and off-site manufacture
- 80% of all site wastes recycled
- 95% of the waste material created by the demolition of the mental health building reused on site
- 17% of materials by value incorporate a recycled content.

The success of our approach in the management of construction and demolition waste was recognised by the Chartered Institution of Waste Management's (CIWM) Award for Environmental Excellence in 2008.

Sector Leadership in Carbon Footprinting

Stent is a specialist piling and foundation solutions business within Balfour Beatty Ground Engineering. In 2007, Stent surveyed its customers to identify what mattered to them most and what issues would be of increasing significance to them in the future. The need for clarity on sustainability and an understanding of the environmental impact of foundations, particularly in terms of reducing carbon emissions, was a common response.

The Challenge

With customers' increasing concern about carbon emissions and pressure on developers to deliver "zero carbon" buildings, Stent needed a way of rapidly assessing this aspect of its operations.

The Solution

Measuring its carbon footprint was seen as an innovative way of supporting their customers sustainability objectives. The early results are encouraging and demonstrate that major savings in our carbon emissions do not necessarily come from expected sources.

Stent already used a database developed in-house called SIESTA (Stent Integrated Estimating Application) to streamline its estimating process. This database was adapted by consultants NIFES (National Industrial Fuel Efficiency Ltd) to include a carbon calculator based on a mix of industry average and supplier specific carbon dioxide (CO₂) data. The calculator estimates CO₂ emissions from four main sources

- Concrete mix design
- Steel bar and rod, pre-cast
- Diesel fuel (for on-site plant, transportation and mobilisation/demobilisation)
- Waste spoil removal (as defined by fuel use for a standard load and distance travelled).

By far the biggest element of Stent's carbon footprint is concrete. This typically accounts for 60-70% of all the CO₂ emitted constructing the foundations. The second largest contributor is steel at 10-30% with transport and fuel accounting for the remaining 10-15%. The CO₂ of concrete comes mainly from cement. In the UK, manufacturing 1 tonne of cement produces on average 0.8 tonnes of CO₂. Figures vary, but it has been estimated that worldwide, manufacture of cement accounts for 5% of all CO₂ emissions.

The easiest way of reducing the CO₂ impact of concrete is to increase the amount of cement substitution. Common substitutes (pulverised fuel ash and ground granulated blast furnace slag) are primarily waste products and typically produce 90-98% less CO₂ than Portland cement. Green SIESTA calculates the CO₂ emissions for the actual mix used – including the type and source of the sand and aggregate and transport distances. Increasing the amount of cement substitute in a typical concrete mix by 10% can reduce the CO₂ emissions of the concrete by 30%. Doing so reduces early strength development but in many cases this can be accommodated.

The Benefits

Early experience in applying Green Siesta in practice has been promising. For example, four recent projects in 2008, showed that by varying the cement mix and the piling technology, Stent was able to demonstrate CO₂ savings with its alternative piling solutions over standard design piles.

| Project | CONFORMING CO ₂ (tonnes) | ALTERNATIVE CO ₂ (tonnes) | CO ₂ Saved (tonnes) | Remarks |
|----------------------|---|--|-----------------------------------|------------------------------|
| London | 1,422 CFA | 1,269 CFA | 153 | Alternative used by customer |
| Reading, Berkshire | 260 CFA | 145 Precast | 115 | Alternative used by customer |
| Bracknell, Berkshire | 949 CFA | CFA 306 Precast 389 | 254 | Alternative used by customer |
| London | CFA 9,369 LDP 392 Total 9,761 | CFA 3,110 Precast 5,025 LDP 392 | 1,234 | Alternative used by customer |

On just the four projects above, the alternative piling solutions saved over 1,750 tonnes of CO₂. To put that into perspective, the CO₂ from Stent's direct emissions, offices and transport in 2008 was 8,800 tonnes. Continued focus on the embodied carbon impacts of materials and process is likely to deliver major reductions in CO₂, far outweighing savings from direct sources.

Stent is keen to encourage other companies within its sector to take the same approach and push for greater openness from suppliers in providing specific CO₂ data to reduce reliance on industry averages. Stent has already presented to the European Federation of Foundation Contractors, who have asked them to assist in producing a standard for carbon accounting in the piling industry and to circulate our findings to their members.

The Challenge

The UK education sector represents 15% of the public sector’s carbon emissions or 2% of total UK emissions (Sustainable Development Commission (2006), Schools Carbon Footprinting – Scoping Study – Final Report). Whilst carbon is only one aspect of a schools environmental impact, it has become a key area of focus in delivering sustainability in the sector through zero carbon schools by 2016. Currently, zero carbon thinking is confined to the “energy used to heat, cool and light the building, together with the energy used to power equipment within the school”.

This approach is clearly limited. It excludes carbon emissions beyond those attributable to the energy used within the building. Our view is that this definition is actually “low energy” or “net zero energy” and not truly zero carbon as it excludes non-building sources such as transport emissions and embodied emissions in the goods and services consumed by the school. Delivering a zero carbon school is challenging given the competitive bidding environment focused on cost.

Sustainability in practice then becomes a series of trade-offs between environmental, social and economic factors rather than their effective alignment. The single issue approach to carbon, is often seen as a purely technical issue solved by engineering and construction technologies alone and not looking at longer term “operational impacts” including those influenced by the behavioural aspects of building use. A more holistic approach to sustainability was required.

The Solution

Balfour Beatty has sought to go beyond the limited interpretation of zero carbon and understand what a truly sustainable school actually means across the life cycle and develop approaches that we could apply, in practice, to deliver a sustainable school. Our sustainable schools research project has been undertaken by a team from Balfour Beatty Capital, Balfour Beatty Construction, Mansell, Balfour Kilpatrick and Balfour Beatty WorkPlace. This team represented the full life-cycle from financing through design, building and long-term maintenance.

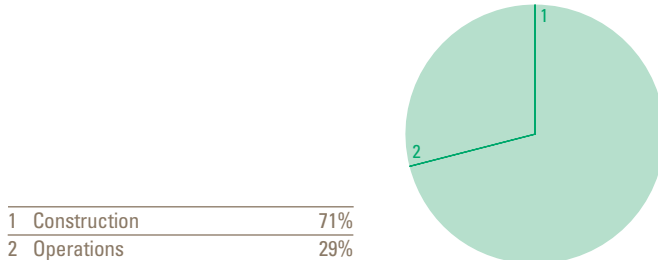
Research was needed to gain a detailed level understanding of the entire carbon footprint of a school and to apportion the impacts across the construction phase and the operational phase as well gain a wider appreciation of other environmental impacts. The Balfour Beatty Sustainable Schools Research Project team commissioned research to quantify these impacts for a real school project. Further research was also undertaken to capture best practice in delivering sustainable schools both within and outside Balfour Beatty.

Our Progress

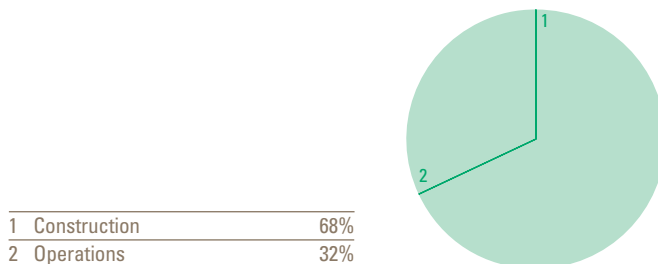
Carbon and Ecological Footprinting Study

Portland School in Worksop, Nottinghamshire in the UK was rebuilt in 2008. We commissioned a study to quantify the carbon and ecological footprint of the building during its construction and its operation during its first year of occupation. Ecological footprinting takes a broader view of resource consumption than carbon footprinting by measuring the extent to which natural resources are used faster than they regenerate. Ecological footprints are measured in global hectares (gha) to represent the amount of land required to maintain a particular activity. Construction and Operational footprints were calculated:

Comparison of Construction Carbon Footprint and Annual Operational Footprint



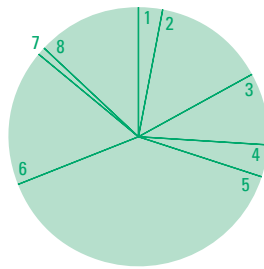
Comparison of Construction Ecological Footprint and Annual Operational Footprint



The construction of a carbon footprint is largely dictated by the superstructure of the building (concrete and steel). The footprint can be reduced through materials choice and construction methods. The operational footprint of the school was estimated to be approximately a third of the school’s construction footprint. However, over the 25 year PFI contract duration, the construction footprint is only approximately 10% of the annual operational footprint (over the first year of occupation). Large carbon reductions can therefore be achieved by carefully designing schools to reduce long-term operational carbon impacts.

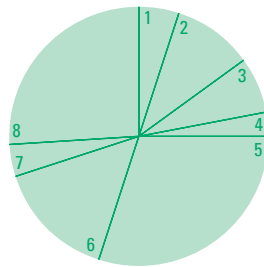
Breakdown of Total School Carbon Footprint

| | |
|------------------------------------|-----|
| 1 Waste | 3% |
| 2 Student travel | 14% |
| 3 Staff travel | 9% |
| 4 School trips and business travel | 4% |
| 5 Utilities | 39% |
| 6 Purchases | 17% |
| 7 Consumables | 1% |
| 8 Food | 13% |



Breakdown of Total School Ecological Footprint

| | |
|------------------------------------|-----|
| 1 Waste | 5% |
| 2 Student travel | 10% |
| 3 Staff travel | 7% |
| 4 School trips and business travel | 3% |
| 5 Utilities | 30% |
| 6 Purchases | 15% |
| 7 Consumables | 4% |
| 8 Food | 26% |



The study showed that when breaking the operational footprint down further, some 40% of the carbon impact comes from electricity and gas use. Hence the current approach in the UK focusing on energy used in the building does not address the remaining 60% from transport, equipment/furniture purchases, consumables, food and waste. Making significant inroads into these carbon sources could make a very significant impact. Possible contributions could come from car sharing schemes, purchasing equipment and consumables with high recycled contents and low energy consumption, improved waste segregation and recycling and reducing the meat and dairy content of school meals.

Ensuring staff and students are aware of these wider impacts and their role in minimising them will be key in achieving significant reductions in carbon such as meeting the Government's target of 80% reduction by 2050.

Case Studies

Here are just two examples of best practice identified by the project team in the UK.

Howe Dell School, Hatfield, UK

Mansell, a Balfour Beatty company, was the main contractor for the revolutionary Howe Dell School. This is considered to be a pioneering example of best practice and a clear demonstration of how sustainability can positively impact the educational activities of a school. Key sustainability features in the build were: extensive use of timber cladding; recycled materials in furniture and fittings (80% recycled content in carpets); maximised use of natural daylight; use of the thermal mass of the structure to stabilise the temperature of the building; a solar energy system in the playground to absorb heat in the asphalt surface and circulate it into the building; solar panels; a 20kw wind turbine; a sedum roof for insulation and runoff control and rainwater collection tanks beneath the school fields for toilet flushing and irrigation. Studies continue to assess whether the actual sustainability performance achieved meets the design specification.

St Michael's School, Southwark, London UK

St Michael's School in the London Borough of Southwark, has been designed to deliver a 72% reduction in carbon emissions compared to a similar school meeting the 2002 Building Regulations. The school will be built by Balfour Beatty Construction on behalf of the Group's school concession company Transform Schools. The school development will be revolutionary in its low energy design and technologies used. These include 14 ground source heat pumps, a biomass boiler, a 40m² photovoltaic array as well as passive energy saving technologies such as natural ventilation where possible, exploiting exposed thermal mass (concrete) in the classroom and building orientation to benefit from solar gain.

Next Steps

A key lesson arising from the study is the need to embed sustainability thinking in a project as early as possible in the planning and design stage. Retrofitting sustainable solutions during the construction phase is difficult. Engagement of key stakeholders, including the customer and users, within Balfour Beatty operating companies, project partners and supply chains early and is critical.

We will continue to improve our understanding of wider carbon and ecological impacts of schools, share best practice and in particular develop tools to deliver sustainable schools in practice.

Spreading the word about environmental care

During the summer of 2008, Balfour Beatty Rail's Signalling Solutions (SSL) Project Team at Milton Keynes invited the children of Milton Keynes to enter an environmental painting / collage competition. The aim of the competition was to raise the children's awareness of current environmental issues.

The Primary School children's subject was Protected Species i.e. how badgers, great crested newts and other species relate to the railway embankment as part of their natural habitat. The Secondary School children's subject was The Carbon Footprint i.e. how travelling by train helps to reduce carbon emissions.

Over 50 entries were received all of a very high standard. A panel of judges, which composed of Network Rail and SSL personnel, selected the 12 winning paintings / collages. The winning paintings / collages were turned into posters, T-Shirts and a calendar.

At a prize giving day hosted by presenters from the local radio station, the children received their prizes the sponsors. The main prize for the overall winner was a family trip to EuroDisney.

The calendar has been entered in the Network Rail Environmental Awards.

Minimising Driver Risks

The Challenge

Balfour Beatty employs a large number of executives, staff and operatives who drive extensively on behalf of the company. Ensuring that these drivers keep themselves and other road users safe is a key priority for the company. The Group's Driver Risk Management Programme is an award winning initiative to identify and mitigate road-related risk.

The Solution

The Driver Risk Management Programme begins with a cost-effective e-learning course. Completion of the module demonstrates that a driver has understood a series of relevant procedures and responsibilities. The programme, which takes around 30-45 minutes to complete, is a flexible and efficient approach to basic training.

Driver Risk Index

The Driver Risk Index (DRI) is a scientific based, independent risk assessment developed in association with Cranfield University and Driver Metrics. Through a series of structured questions the system compiles a risk profile for the individual, with particular attention to driver behaviour and human factors.

Situational Risk Factors (age, experience, mileage,), Behavioural Risk Factors (aggression, confidence, fatigue, hazard awareness,) and Coping Risk Factors (confrontation, driving focus, self evaluation,) all contribute to the drivers overall risk rating.

Drivers receive an instantaneous risk profile report detailing their perceived road risk. This forms the initial part of the risk mitigation procedure as potential road risks are highlighted and explained.

A Management Information System captures all relevant data and categorises drivers by their overall road risk. This comprehensive, web-based facility allows a managerial view of the overall business, with the functionality to drill down into the particular risks associated with individual drivers.

Driving Simulator

The next stage is the use of a Driving Simulator to educate drivers and enhance road safety. The Driving Simulator provides a dual-edged solution, both mitigating driver risk and promoting fuel efficient driving.

Incorporating bespoke technology, this is the first Driving Simulator of its kind to be utilised in a business environment as part of a wider Driver Risk Management Programme. The simulator hardware has been integrated within a complete car chassis to enhance realism, with all existing car controls fully functional.

The Driving Simulator allows drivers to be educated in a completely controlled environment. This provides a consistent means of driver development, whilst offering a facility to playback and analyse each drive. All relevant data is captured and simplified, making feedback easy. It is also flexible, presenting opportunities to challenge drivers with difficult or dangerous situations, something that can obviously not be done on the real road.

Driver Development Course

The Driver Development course has been specifically designed around the Driver Risk Index. It utilises the Driving Simulator in conjunction with vehicle checks, interactive group exercises, exclusive video footage, Powervote assessments and classroom-based safety awareness presentations.

The full day course is aimed at high risk individuals, using a series of bespoke scenarios built to mitigate the particular risks identified. The scenarios have been written and programmed in association with the University of Nottingham and Cranfield University, both of whom have completed extensive research in the areas of driving risk and risk management

The range of scenarios developed measure and mitigate particular risks including:

- Responses to traffic under time pressure
- Responses to unpredictable road users
- Responses to fatiguing
- Responses to hazards and hazardous situations

SAFED (Safe and Fuel Efficient Driving) Course

The SAFED module has been developed to demonstrate the importance and benefits of fuel conservation and economic driving practices.

Based around three core principles; Observation, Anticipation and Planning, this module will enable Balfour Beatty Group Operating Companies to reduce fuel spend by managing fuel consumption from entrance to exit, or from the pump to the exhaust.

Fuel Management encompasses many safe driving principles, but essentially it recognises that fuel is a precious operational resource. Managing fuel has the effect of lowering costs, whilst also reducing harmful emissions into the environment.

Drive Safe, Arrive Safe presentations

Professional Services are proactively working to improve road safety throughout Balfour Beatty Group through our 'Drive Safe, Arrive Safe' presentations and courses.

All courses can be customised to meet specific customer needs.

'Drive Safe, Arrive Safe' courses are available nationwide, and are ideally delivered at conferences and seminars, or as stand alone interactive courses or presentations. These presentations are intended to reduce driver risk in a variety of areas such as:

- defensive driving
- drinking and driving
- drugs and driving
- hazard perception
- mobile phone use
- the human cost of road traffic collisions

Behavioural Safety in Mansell – Make Safety Personal

Mansell's behavioural safety programme began in 2006 with an assessment of its safety culture and continued through 2007 with presentations to its supply chain and the development of behavioural safety standards. 2008 saw the engagement of Mansell staff and Specialist Contractors in focus group workshops to involve our workforce and supply chain in shaping the programme roll-out.

The behavioural safety programme, branded Make Safety Personal, plans to equip everyone in Mansell and our supply chain with the skills and inspiration to embed safety discussions about unsafe behaviours and immediate peer to peer recognition of safe behaviours into everyday working life. Make Safety Personal is a prime ingredient in achieving Zero Harm by 2012.

Progress to date

- Focus groups were held in all Mansell regional offices with around 500 staff and contractors to discuss safety communication. Directors visibility scored highly and areas to improve were:
 - Speaking up when you see short-cuts or unsafe behaviour
 - Recognising safe behaviour
- Divisional core teams met to prioritise the focus group's outputs, to shape the programme's roll-out and to engage with their regions. Core teams regularly met with their senior management to discuss progress and brief them on the roll-out plan
- Core teams developed solutions for the businesses to implement, including:
 - a Make Safety Personal training workshop for everyone in Mansell and specialist contractors
 - tools for engaging with specialist contractors
 - plans for enhancing induction delivery
 - models for explaining rewards for safety and clarifying the consequences of unsafe behaviour.
- Training providers were identified to assist Mansell train their staff to deliver Make Safety Personal workshops
- A visible safety leadership programme was developed and is being attended by all business unit leaders.

Looking ahead

- Behavioural standards will be embedded in all role profiles and personal development reviews
- Engagement of all specialist contractors through awareness focus groups
- A poster campaign will raise awareness on sites
- Train the trainer workshops will be run
- Following attendance at the training, everyone will be expected to speak up about unsafe behaviour and provide recognition for safe behaviours
- Behavioural observation tours to monitor the effectiveness of behavioural change and to encourage positive and open safety discussions
- Mansell specialist contractors attend "Make Safety Personal" workshops
- Re-assessment of our safety culture for continuous improvement towards achievement of Zero Harm goals by 2012.

Defining the Standard

Public Safety and Risk Management are high on the agenda of all Balfour Beatty's projects, but the requirement is often amplified in areas of high public interface such as a busy city centre.

Balfour Beatty Construction's St. Martin's Lane Development right in the heart of London's Theatre Land is no exception. Round-the-clock management of public safety, environmental impacts and the protection of retail and economic interests in the vicinity are of paramount importance.

Our efforts were recognised when the project team were awarded the Westminster City Council Considerate Builders Scheme – Site of the Year Award 2008. The award was further endorsed by the Westminster Property Association who also presented the project with a trophy.

The judges were impressed by the way the project team relentlessly managed the public interface, a particular challenge on projects of this type where all deliveries are made from the public highway. The Central London location and the particularly high density of people and visitors to the City add further complications to the task. A well planned and maintained 'shop front' is therefore essential: This means a highly effective site hoarding and well informed neighbours.

A further challenge was presented by the consideration and mitigation of environmental impacts on adjacent shops and businesses where we clearly must take great care to avoid adverse impacts.

"With the huge amount of development taking place in London's West End it is vital that building sites are managed in such a way as to allow other businesses operating alongside the site to function normally. It is also important that the character of the area is maintained allowing visitors to enjoy London's West End Experience." said David Fereday from

Heart of London Business Improvement District who was an independent Judge of the awards.

"When we visited this site unannounced on the judging day, we immediately took note of the clear, correct and clean signage which was placed around a delivery vehicle that had arrived at the site. When we spoke to the banksman about the lorry he also knew when it had arrived, the cargo it was carrying and the time it was due to leave. This left us very re-assured with the total management practice being employed by Balfour Beatty." Jonathan Rowing, Streetworks Manager for Westminster City Council.

Men's Health Matters

The 'macho' image of the construction worker, and indeed many men's attitudes to personal healthcare, was challenged when Balfour Beatty Construction converted our Site Offices into a Surgery and invited our operatives to attend 'work-time' Health Clinics over 3 days in June and October.

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

The aims were:

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

The sessions were open to the whole workforce and were extremely well attended. As with a permanent doctor's surgery, confidentiality was assured and operatives were allocated times to come along throughout the day.

The health surgery proved extremely popular and evoked very positive feedback from users.

Clearly this level of health care from a main contractor was previously unknown. 200 of the 400 people on site at the time attended the clinic. The clinic provided a new perspective for the workforce and was perceived as an expression of real concern for their wellbeing.

The most popular part of the day was the comprehensive health check, which consisted of a variety of tests with results summarised in a personal certificate together with relevant health advice, DVDs and a literature pack to take away.

The comprehensive check included measurements and advice on:

- | | |
|--------------------------|----------------------------------|
| • Body Mass Index (BMI). | • Cholesterol |
| • Waist measurement | • Smoking |
| • Healthy eating advice | • Alcohol |
| • Physical Activity | • Mental Health and Well Being |
| • Blood pressure | • Sexual Health |
| • Blood glucose | • Parenting and Child Car safety |

Many of the clinic's patients committed to try to make changes to improve their health.

For several, the sessions identified the need to seek further medical advice. A number of men visited their GP as a direct result of the sessions, with some diagnosed with high blood pressure, foot conditions and others were referred to specific specialists.

NHS staff enjoyed taking part as it was an opportunity to further develop their public health role and engage in health promotion activities. All of them would be happy to take part in future events and were encouraged to see so many on site staff take an interest in their health.

All in all the sessions were a clear success, both in terms of the direct medical care given on the day and the longer term improvements in workplace morale following the sessions.

Plant and Fleet Services Safety Case Study: Feet on the Ground

Working at height is one of the key safety hazards identified at Balfour Beatty. An injury involving a fall from a crane platform in April 2008, prompted Balfour Beatty Plant and Fleet Services to radically re-think their approach to working at height with some creative ideas. Martin Houldsworth, Accommodation & Site Services Business Manager, explains their approach.

We thought about how we could prevent people having to work at height, and, where that was impossible, make height more like the ground. We've called the initiative "Feet on the Ground", which sums up what it's all about.

'We're making changes that mean our plant and equipment is safer and people do more at ground level rather than roof level. For example, our cabins are usually picked up from the roof, meaning someone has to climb up on top of the site cabin to attach the chains. We've created a new mechanism to allow chains to be attached at the bottom then slide to a fixed point at the top when lifted. This has eliminated the need to climb up on top. Balfour Beatty Plant and Fleet Services plans to convert its entire fleet of 2,500 cabins to this new lifting technique by 2012, investing £0.5m to do so.

On the cabins themselves, we're making the roof more like the ground by adding handrails for when people go up there to do maintenance. We're also communicating the "Feet on the Ground" message so it gets under people's skin and becomes the norm. Where working at height is unavoidable we have defined explicit protection measures which must be followed.'

'Our people can really see the benefits of changing the way the work at height – but it's a long process, involving working with manufacturers to design equipment to our specification, getting hauliers engaged with it and persuading managers that it's worth investing in vehicle edge protection systems for example. It has been like pushing on an open door though – after all, no-one wants people to work at risk, and, where there are ways of removing risk, then it's a clear winner.

Since the accident in April 2008, Balfour Beatty Plant and Fleet services worked for 1 million hours without a reportable injury.

Supporting Opportunities for all: local recruitment on the East London Line

The East London Line Project passes through some of the most deprived boroughs in the UK. Tower Hamlets has the lowest employment rate in the UK (53%), closely followed by Hackney (59%). Balfour Beatty has been committed to maximising the employment opportunities and promoting the local recruitment resulting from the development of the East London Line.

Our approach is one of collaboration, working in partnership with local stakeholders directly with the community to identify, provide and communicate significant job opportunities that will be available during the construction phase of the project. We have developed a number of actions to help us achieve this commitment.

Employment and Training Advisory Group

We established The East London Line Employment and Training Advisory Group in early 2007. The group brings together employment and training stakeholders from across East London to work with BBCJV to ensure that the communities of East London can benefit from employment and training opportunities relating to the project. The aims of the group include;

- raising awareness of jobs and training within East London for local communities,
- identifying and communicating benefits for the community, local boroughs and wider East London area,
- acting as a sounding board to reality check proposals and ideas,
- sharing an understanding of the barriers that under represented groups face when trying to access employment and develop an approach to overcome these.

Local recruitment process

To ensure that people from the East London Line Boroughs had maximum access to employment opportunities on the project we established a recruitment process for general operative opportunities that encourages labour suppliers to recruit and employ people from the local community. At least 12.5 % of the general operative roles are ring fenced for local candidates or new entrants. We broker the relationship between the project's labour suppliers and specialist stakeholder local employment organisations with access to unemployed candidates and new entrants.

During 2008 over 220 candidates have secured employment on the project through local training and employment agencies, 106 of who live in one of the seven focus East London Line boroughs. A review of the employment approach in September 2008 encouragingly showed that retention levels for those joining the project from local stakeholders are higher than those coming through traditional routes.

In early 2009 we established a central recruitment pool for general operative roles on site. The process involves local stakeholders identifying suitable candidates who are sent on a pre-induction event which then leads in to a central pool list to fill vacancies as they arise.

Work placements

One of the key ways we are seeking to address worklessness and support those seeking work is to provide valuable work placement opportunities to enable people to gain relevant experience in working environment. We have worked both independently and alongside TfL to offer valuable work placements to local candidates. Work placements have included:

8 week summer placements for local undergraduates through the Careers London 'Headstart' programme

4 week placements for 16 – 17 year olds with an interest in Construction through the Construction Youth Trust, Capital Xperience programme. The scheme included interview days, CV support and practical work placements across the project functions

We have also worked with a local social enterprise, City Gateway, to place a number of women who have been involved in their women's project administration course. The women will receive placements of between 2 weeks and 3 months to help them gain experience of administration roles in a real working environment.

Community Outreach

In addition to working collaboratively with stakeholders, we have worked to develop and deliver a comprehensive community communication plan with a large focus on the promotion of local employment opportunities. This programme includes communication through the following media:

- External community newsletter
- Local Schools engagement programme
- Local and diverse media (newspapers)
- Attendance at local community group meetings

2008 Employee Satisfaction Survey

Mansell

In 2008, Mansell surveyed its employees to ensure it had a clear picture of their views and concerns. Three-quarters of Mansell's people took part in the survey.

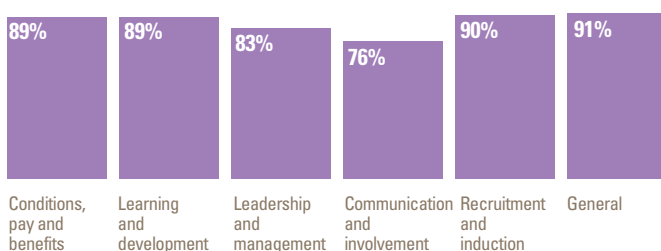
Overall satisfaction levels were high (95% were proud to be part of Mansell). 88% felt that they received an effective induction which demonstrated the effectiveness of action taken following a low score on this issue in the previous survey.

97% of employees believed they work in a safe environment with more than 90% stating that they are treated with respect.

The area with the lowest satisfaction levels were in respect of communication and involvement.

Mansell spent almost £2 million on training and development in 2008 and found that 88% of employees feel that they have received the right training to do the job.

Employee Satisfaction Rates



Haveish Nagarajan's Big Idea wins Chairman's Innovation Prize

The 2008/9 Chairman's Innovation Prize was won by a young civil engineer working on Gammon Construction, Balfour Beatty's joint venture in South-East Asia with Jardine Matheson. Haveish Nagarajan joined Gammon in Singapore as a graduate engineer in 2007.

Haveish's idea is the establishment of a corporate fund for Gammon to use to offset avoidable non-environmentally friendly impacts. The fund will allocate a unit cost for activities such as using plastic cups and cutlery and that amount will be put into the fund by the unit or project manager concerned.

The fund will then be used to, for example, buy environmentally friendly equipment or contribute to other environmentally positive activities. The fund demonstrates Gammon's strong commitment to sustainability, puts a cost on environmental decisions and gives managers at all levels a chance to contribute positively to environmental improvements.

Innovating in people development at Balfour Beatty Construction Northern

When Balfour Beatty Construction Northern Limited identified a need for additional professional training for Middle Managers aiming to become Project Managers, they teamed up with Salford University to develop a bespoke training scheme, which launched in 2008. This course not only demonstrates Balfour Beatty's commitment to training and developing its own staff, but also highlights the company's innovative, industry-leading position on the challenge of building key skills for the construction sector.

A culture of training and development was already strong in Balfour Beatty Construction Northern. All employees are required to hold or be working towards accreditation with the Construction Skills Certification Scheme (CSCS), an existing pan-industry framework for development.

While CSCS accreditation signifies a high degree of competency, Balfour Beatty's HR team saw that some of their team required further expertise in managing construction projects in order to be able to achieve the highest level of accreditation.

In partnership with Salford University, a specialised postgraduate diploma was developed and, in 2008, nine Balfour Beatty staff started their training. With this first group of students progressing well and due to graduate in May 2009, a second intake started the course in 2009. This year's course will see five Balfour Beatty staff joined by students from other construction companies.

Beyond this indicator of success, the scheme has also been recognised on the shortlist for the Training and Education category of the Centre for Construction Innovation's North West Awards in the UK.

Using feedback to improve culture at Balfour Beatty Construction Northern

Balfour Beatty Construction Northern had some extremely positive feedback from their staff satisfaction survey in 2008, with 86% of their staff indicating that they'd recommend the company as a place to work. Staff members also felt that communication culture and management were both strengths, and that corporate objectives were clear – all of which are key enablers to high levels of staff engagement.

However, there was, inevitably, room for improvement. Senior management and HR professionals at Balfour Beatty Construction Northern discussed the findings at their senior management conference in October 2008, developing action plans for areas of concern.

One area discussed was staff members' perception that better follow-up was needed after personal development plans are updated as part of the appraisal process. The feedback indicated that plans are often left to one side. To counter this, changing the perception of these plans was considered a key challenge, with the need to emphasise that individuals should take ownership of their own development. As a result, a campaign focused on empowering individuals to take responsibility for the delivery of their own plan will be rolled out in 2009.

It was also acknowledged that communication could be improved on some specific issues, including work-winning (ie, the tender process, and jobs either won or lost). One of the solutions that was piloted in the Midlands Division was to invite junior or new staff members (typically those with five years experience or less) to talk to senior managers about the business. Feedback from this pilot has been positive, with all attendees feeling that the sessions were of value to them.

These initiatives are all within the spirit of continuous improvement in Balfour Beatty Construction Northern's culture.

Engaging and developing the graduate population

Specific training for our graduate population has always been in place, but 2008 saw the relaunch of our Graduate Development Programme. This reflects the desire to provide each graduate intake with a strong platform from which to build their career with the Group.

All UK graduates now receive tailored training over a three-year period in personal and leadership development and project management, a Group-wide core competency. These courses, supported by access to e-learning modules, complement the experience they gain as they work, and provide all graduates with a consistent platform in skills and knowledge that they may not have acquired during their university studies.

To maximise the programme's effectiveness, we introduced more elements of active learning in 2008 – including working through scenarios, engaging with case studies and role-playing with actors.

The programme opens with an annual Graduate Conference, which brings together each new cohort of graduates. The event is key in providing graduates with an opportunity to network with peers, and results in the Annual Graduate yearbook, which features profiles and photographs of the attendees.

Senior management also meet with new graduates in small groups (of between six and eight people) each year, with 139 graduates attending 23 meetings in 2008.

Besides promoting internal networking, they also give graduates the opportunity to provide valuable feedback about the organisation. In 2008, these events highlighted that not all graduates were receiving formal feedback, and some had not yet been allocated internal mentors. We will act on this feedback to improve our graduate programme in 2009.

Feedback from these sessions is largely very positive; one attendee in 2008 gave this response:

"We were all blown away by the time afforded by Ian Tyler and I would be grateful if you would pass on my sincere thanks and assure him that, after yesterday, I fully believe in the company's interest in our views, experiences and future."

Changes to pension provision in 2008

In 2008, Balfour Beatty addressed a significant deficit in its corporate pension fund, which required extensive engagement with employees from across the group.

Removing the deficit in our fund has been on our agenda for several years. In 2003, we closed our defined benefit (or final salary) pension scheme to new members but this action was not sufficient to cover the fund's deficit, valued at of £131m in early 2008.

A steering group comprised of senior HR staff was created in early 2008 to manage both the changes to the scheme and the supporting communications, which were vital to ensure that staff understood the changes being made, to facilitate a smooth transition, and to attempt to keep staff engaged during the process.

Changing the scheme

The value Balfour Beatty places on its people is reflected in the level of protection built into the fund: trustees of scheme were not permitted to increase employee contributions to the fund, nor were they able to reduce the benefits that existing members could expect. This significantly narrowed the options available to us to reduce this deficit.

A solution was developed in early 2008. A key part of the approach was Balfour Beatty's commitment to invest £95million over a period of four and a half years to offset the fund's deficit. However, in order that the remainder of the deficit was covered, and that the scheme was sustainable in the long-term, further changes to the approach were required.

The solution proposed to members of the defined benefit scheme involved capping the amount of an individual's annual pay increase that would contribute towards the defined benefit pension scheme. The level of company contribution would be capped at a salary increase equivalent to the Retail Price Index (RPI) or 5%; whichever of these figures was smaller.

Affected staff were then given the option to increase the amount saved towards their pension by investing into a separate defined contribution pension scheme, enabling those individuals receiving larger pay rises (as the result of a promotion, for example) to invest a percentage of their entire salary into a pension scheme on a monthly basis.

Communicating change

The communication of this change was key, both to ensure staff understood the changes, and to give people the option to provide feedback. The project steering group largely handled this communications process, which took place within a period of consultation with staff and staff representatives.

A Group-wide communication informed staff that changes were required to account for the pension scheme's deficit in May 2008, with the details of the solution being proposed members of the defined benefit scheme by operating company managing directors in June 2008.

Local HR teams also had a significant role to play in the communication of these changes and, accordingly, the steering group spent a significant amount of time engaging this key population in the implications of the change. Local HR teams were used to deliver local communications about changes to the scheme. Resources provided by the steering group to support this communication included scripted presentations and Q&A documents. These local HR teams generally provided very positive feedback on the quality of the communications materials supplied to them.

Engagement with the Balfour Beatty Staff Association was another vital task for the central steering group; the Staff Association represents the interests of all Balfour Beatty staff, and therefore their understanding of and support for the changes was essential. Largely, dialogue with unions was handled by managing directors within each operating company but, given their significant influence, members of the project's steering group also engaged with representatives from Unite in the UK.

The steering group also created a central website, where staff could view worked examples of how their pension might be affected. Questions could also be submitted through this website, with over 300 received during the consultation period.

Outcomes of communication

After the consultation period on these changes closed, some feedback was used to shape the final version of the scheme, which was publicised in November 2008.

The changes to the scheme were then implemented in January 2009.

Making a strategic acquisition a cultural fit

In June 2008, Balfour Beatty Rail announced the acquisition of the German rail engineering group Schreck-Mieves GmbH. Schreck-Mieves is a leader in the German trackwork market, manufacturing key rail components and systems, and supplying specialist equipment.

This acquisition was a great strategic fit, with Chief Executive Ian Tyler commenting at the time that Schreck-Mieves' strong, established position in the trackwork market, which accounts for the majority of spending on German rail infrastructure, would further enhance the Group's ability to deliver major, multi-disciplinary projects.

However, on the acquisition's completion, a significant investment was made to ensure that Balfour Beatty's core values were clear to the Group's 700 new employees.

A range of face-to-face and print-based channels were created to ensure that the key message – "Growing together" – was communicated to existing Balfour Beatty Rail staff and Schreck-Mieves employees. This was led by the publication of the "Grow together" newsletter, which set out some of the key facts about both companies. This publication was supported by a number of roadshows in Germany where staff could pose their questions about the cultural implications of joining the Group. Issues raised at these sessions were diverse, ranging from queries about who was responsible for supplying safety equipment and clothing, through to which brand font was the correct one.

The ideas that "only those who sow can harvest" was also central to the "Growing together" messaging. To this end, all members of staff received a mug with a packet of seeds on the day of the acquisition, and a commemorative tree was created in the Offenbach site. This tree was created by teams from Balfour Beatty Rail and Schreck-Mieves as a symbol for the future, and is decorated for Christmas, Easter, and to support corporate communication campaigns.

Supporting Opportunities for all: local recruitment on the Olympic park

The Olympic Park is situated in five boroughs of East London with high levels of social deprivation, low employment and a high proportion of young people looking for opportunities to enter skilled employment.

We are working closely with our client the Olympic Delivery Authority and their delivery partner CLM to ensure that opportunities are created for local people and businesses.

Local Recruitment Process

All job vacancies are notified to the ODA Employment and Skills Managers so that they can feed them through local agencies and Jobcentreplus to ensure that the opportunities are widely promoted to the local community and to encourage local people to come forward and apply for roles on the Park.

Trainee Opportunities

The group has agreed a training and employment plan with the ODA/CLM and the National Skills Academy for construction for an annual intake of apprentices and skills trainees.

Prince's Trust Get Into Construction Programme

The company is working with ODA/CLM and the Prince's Trust to develop a scheme to bring people from a deprived background into construction. The scheme is focused in particular on supporting young people on their pathway to work.

Balfour Beatty staff are working with ODA/CLM and other contractors to find work placements for Prince's Trust trainees. We have been instrumental in establishing a pilot scheme which is being run and it is hoped that many of the PT trainees can be brought to the standard where they can fill apprentice or trainee positions in the agreed plan.

Work Placements

The company is also providing a series of work placements, with activity focused on taking on a number of school placements from the local boroughs over the next two years.

Assurance

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

Textual teasers:

About the stakeholder panel

[A profile of our stakeholder panellists, and the process for reviewing the report.](#)

Stakeholder panel statement

[The full statement provided by the panel.](#)

Balfour Beatty's response to panel

[The Group's response to feedback provided by the panel](#)

Panel terms of reference

[The detail on what the panel were commissioned to do for us.](#)

About the stakeholder Panel

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

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

Panel Membership

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

Their Brief

The Panel's brief was to review a draft and final draft of our 2008 Report, in terms of its scope, any omissions of materiality and recommend areas for improvement. You can access the Terms of Reference for the Panel online at www.balfourbeatty.com/responsibility/assurance/tor.

Opinion Statement

The views of the Panel are reproduced, without amendment from Balfour Beatty, at Link to Stakeholder Panel Opinion Statement together with our response.

We believe that this approach to assurance is a first for our sector. If you would like to share your views on our report with us, please go to Feedback and Contacts

Stakeholder panel statement

Stakeholder Panel members

Ian Gearing – National Grid plc (Panel Chairperson)
 Tony Ellis – Network Rail
 Matt Gorman – BAA Airports Limited
 Dean Kerwick-Chrisp – Highways Agency
 Paul King – UK Green Building Council
 Richard Stathers – Schroders Investment Management

The members of the Panel served in a personal capacity rather than as representatives of their organisations. The Panel met in March and again in April 2009 and held one conference call between these meetings.

Terms of Reference

The Panel's brief was restricted to reviewing an early draft and final draft of the Balfour Beatty 2008 Corporate Responsibility and Sustainability Report (the 'Report') in terms of its scope, to highlight any material omissions, to recognise strengths and recommend areas for improvement.

URS conducted internal assurance, which comprised management interviews, data validation (of a sample of data) and a review of the claims made in the Report. URS presented its findings to the Panel, which has integrated its thoughts on these into the statement below. These findings were presented to the Panel at the April meeting and represented a 'snapshot' in time of the Company's policies, procedures, systems and practices.

Stakeholder Panel Opinion

The Stakeholder Panel is pleased to offer its independent opinion on the Report, upon which it is in full agreement.

Governance and process

The Panel felt there is clear commitment shown by senior management to position Balfour Beatty as a sustainability leader. Balfour Beatty's approach to corporate responsibility (CR) / sustainability is underpinned by a robust set of Company-wide policies and processes that are integrated into the various operating companies and levels of the business. Examples range from the Group risk management process through Group-wide policies to the newly developed 'Balfour Beatty Sustainability Vision 2020'.

The 2020 vision was seen as a positive development. It is clear and well articulated and the Panel felt that it, together with the associated 'Road Map' of strategic action (the publication of which is encouraged by the panel), should provide a useful vehicle for communicating the Company's commitment to sustainability to its workforce and external stakeholders.

The Panel would have liked to have seen more information on how Executive Directors and other senior management are motivated to focus on sustainability and there was no evidence that sustainability objectives are part of their formal performance objectives and remuneration arrangements.

Sustainability issues

In general, the Panel felt that most of the material sustainability issues faced by the Company had been identified, although the depth of understanding between these varied. In particular, the Panel felt the Report did not communicate how these issues could impact the business (eg operating costs, employee turnover, licence to operate etc). As previously noted, the 2020 Vision was seen as a positive development which should enable Balfour Beatty to gain a better understanding of these issues and, as important, the risks and opportunities they represent. Similarly, the 'Road Map', when complete, should allow the development of appropriate future action, key performance indicators and targets.

While there is evidence of stakeholder engagement activity within the various operating companies, the Panel felt it was not clear if stakeholder engagement at Group level had informed the identification of the sustainability issues faced by the Company or whether a wider group of stakeholders had been directly involved in developing the 2020 vision.

Based on its knowledge of the building and material sector, the Panel felt that a number of other issues should have been covered in more detail; these include how the Company manages a workforce which is likely to include a growing number of migrant workers and how it will work with its supply chain to address its indirect (Scope 3) greenhouse gas emissions.

Reporting performance

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

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

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

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

The Panel would like to thank Balfour Beatty for the opportunity to participate in this innovative approach to report assurance.

Balfour Beatty's Response to the Stakeholder Panel's Statement

Balfour Beatty has obtained real value from inviting the Stakeholder Panel to offer its independent scrutiny of our report. Indeed, Panel feedback on the draft report was usefully incorporated into the final report. We thank the Panel and welcome their insight at a critical stage in the development of our thinking and approach to sustainability.

2008 was a milestone year for Balfour Beatty's approach to responsible management of its business through the launch of our ambitious plans for Zero Harm by 2012 and a sustainable Balfour Beatty by 2020. We are pleased the Panel recognised these plans were positive developments and our aspirations to lead our sector in these areas. Now that we have completed our internal consultation of our sustainability roadmap, we will seek external stakeholder feedback before its worldwide launch across our business during the latter half of 2009.

We will review how we can improve our reporting of how we manage migrant workers across our operations. We will also continue the efforts in further developing our understanding of our Scope 3 indirect greenhouse gas emissions. The engagement and alignment of our supply chain partners in helping us to innovate and reduce these impacts is recognised in our roadmap.

The current Company remuneration policy is designed to be able to attract, retain and motivate high calibre management. A key feature of the remuneration arrangements for Executive Directors is to reward performance and ensure alignment with shareholders through the 'specific' performance measures of the annual and long-term incentives together with a shareholding requirement. Management Systems exist to drive performance in non-financial measures such as safety, environmental, sustainability, ethics, people development and other key activities. These are continually monitored and updated to ensure alignment with the business strategy.

We hope to build on this innovative approach to assurance by continuing our engagement with the Panel, including their offer of dialogue with our Sustainability Working Group. We would recommend the stakeholder panel approach to other organisations in our sector and beyond in seeking to enhance their assurance processes and engagement with stakeholders.

Stakeholder panel terms of reference

Balfour Beatty Stakeholder Panel Terms of Reference, 5 February 2009

1. Background

Balfour Beatty is inviting a small number of key external stakeholders to participate in a panel to prepare the assurance statement for its Corporate Responsibility (CR) / Sustainability report (referred to hereafter as the "Report") for the year ending 31st December 2008. The report is due to be published in May 2009. Balfour Beatty is looking to a stakeholder panel (referred to hereafter as the "Panel") to provide an independent external opinion on the report and engage in its development.

For a stakeholder panel to be effective it needs to:

- 1.1. Operate effectively – the Panel members are well informed, are able to speak freely and are focussed on discussing the material issues;
- 1.2. Influence decisions – is the Panel able to make timely and useful inputs into Balfour Beatty's decision-making? And is Balfour Beatty responding?
- 1.3. Communicate more widely – does the Panel's activity and output influence wider debates within the organisation and stakeholder decisions or actions?

It is important to ensure the independence and objectivity of the Panel when determining its membership, purpose and scope. Furthermore, each member of the Panel must confirm to Balfour Beatty that it has no conflicts of interest (current or potential) prior to agreeing to be part of the Panel. Panel members must also immediately notify Balfour Beatty if they believe that they have or are about to have a conflict of interest during the term of the project so that Balfour Beatty can take steps to replace that member with a different external stakeholder.

2. Scope and Purpose

The role of the Panel is to provide an external and independent opinion of Balfour Beatty's approach to CR / Sustainability and the reporting of its non-financial performance through an assurance statement in the 2008 CR / Sustainability Report. Issues covered in the report include ethics, health and safety, environment, community and people. The scope of this work includes assessing previous reports, providing opinions and perceptions of the current approach and assessing Balfour Beatty's performance on interaction with its stakeholders.

3. Duties and Objectives

The Panel shall:

- Review and comment on the draft online and printed summary Reports prepared by Balfour Beatty;
- Provide deeper scrutiny of the Reports than traditional methods by reviewing and challenging URS' assurance findings;
- Provide feedback to Balfour Beatty on its reporting practices, any omissions considered material and identify areas for improvement;
- Produce a "jargon free" assurance statement to accompany the publication of the Report and thereby adding to its credibility and usefulness to a range of stakeholders; and
- Provide broader feedback on Balfour Beatty's CR / Sustainability approach where considered appropriate.

4. URS' Role

External consultancy, URS Corporation Ltd. (URS) will be facilitating the stakeholder-led assurance process. URS' role is two-fold. Firstly, URS will undertake the 'traditional', internal assurance element of the process. This will entail:

- Gaining an understanding of Balfour Beatty's CR / Sustainability approach, with particular reference to how it is integrated into business strategy and core business processes;
- Checking data collected and reported by Balfour Beatty; and
- Reviewing the claims made in the Report, requesting evidence where appropriate.

This will be undertaken through a combination of senior-level interviews at Head Office, review of data capture and reporting processes at Corporate level and visits to three Operating Companies to check source data, in addition to a review of publicly available information on the company.

URS will also facilitate interactions with the Panel. The information gained during the interviews and data checking process will be presented by URS to the Panel in the one day Statement Workshop and used in conjunction with the Report to inform the preparation of the assurance statement. Responsibility for drafting the assurance statement will rest with the Panel, and URS will be available to provide support during this process. Such statements are typically one to two pages in length.

All work will be undertaken in accordance with the revised AA1000 Assurance Standard.

5. Panel Membership and Meetings

5.1. Chairman

The Panel shall agree and appoint a Chairperson (and deputy if considered appropriate), to have overall responsibility for the development of the assurance statement.

5.2. Membership

The Panel will comprise up to five members, including the chairperson (but not the facilitator or secretariat). It will comprise adequate representation of issues and stakeholders to enable effective discussion and decision-making.

5.3. Confidentiality

The Panel shall treat all information provided by Balfour Beatty and URS in connection with this project as confidential, including but not limited to, the draft Report. Such information must not be circulated beyond the Panel membership and all documents must be returned on completion of the project to the owner of that information (being Balfour Beatty or URS).

This confidentiality obligation shall not apply to information already in the public domain or the final printed or online report but will otherwise continue for a period of 2 years following completion of the project.

5.4. Facilitation and Support

All meetings will be held at Balfour Beatty's Group head office in London (130 Wilton Road) and the company will meet the associated meeting costs (including room hire, refreshments and lunches). URS will provide facilitation and support to the Panel throughout the reporting cycle (see Frequency of Meetings below). The URS team is experienced in working with stakeholder panels, having undertaken similar assignments for Kingfisher and Body Shop. They also know the construction and civil engineering industry well, in addition to being sustainability experts in their own right.

5.5. Balfour Beatty Input

Balfour Beatty will not seek to influence the Panel in any way during the production of the assurance statement, other than through the information contained in the report.

5.6. Frequency of Meetings

The following schedule of meetings is proposed:

5.7. Quorum

The minimum number of Panel members required to develop the assurance statement will be four. A simple majority shall be employed (if required) to vote on the content of the statement, with the Chairman (or appointed deputy) having the casting vote in the event of a split decision.

5.8. Circulation of Information

Material shall be circulated ahead of meetings by email/post as agreed with the Panel.

5.9. Reporting

The statement developed by the Panel as a result of this process will be published in the Report, without any editing by Balfour Beatty. The chairperson will be responsible for ensuring that all members have contributed to the final statement in order that it reflects the combined opinion of the Panel.

5.10. Remuneration

Balfour Beatty will help arrange and pay reasonable travelling, hotel and subsistence expenses for members of the Panel, where supported by receipts.

To request a copy of the printed summary of this online Corporate Responsibility and Sustainability report, please contact:

Corporate Communications
Balfour Beatty plc
130 Wilton Road
London SW1V 1LQ

Your thoughts on this online report are also very valuable to us in the ongoing development of our Corporate Responsibility and Sustainability activity, and in the development of future reports. We would welcome report readers to register any thoughts, comments or opinions. This form can be filled in at www.balfourbeatty.co.uk/bby/responsibility, or posted back to us at the address above.

1. Which sections of the report did you look at:

- a. All
- b. Our commitment
- c. Managing CR
- d. Safety & Health
- e. Environment
- f. People
- g. Community
- h. Performance
- i. Case studies
- j. Assurance

2. From the issues covered in this report, which do you feel we should be paying most attention to as a company? Please select up to five of the following:

- a. Public safety
- b. Employee safety
- c. Reducing risk through design
- d. Managing sub-contractors
- e. Climate change
- f. Waste
- g. Water
- h. Materials
- i. Ecology
- j. Workforce diversity
- k. Local recruitment
- l. Graduate recruitment
- m. Reward and remuneration
- n. Training and development
- o. Ethics and behaviour
- p. Employee engagement
- q. Pensioners
- r. Project-level community relations
- s. Group-wide community relations
- t. Operating company community relations

3. Were you able to find all of the information you required?

- a. Yes
- b. No

4. If 'no', or you feel more information would have been useful, please describe what additional content you would have liked to see

5. How would you rate the following elements of our Corporate Responsibility website?

| | Excellent | Good | Average | Poor |
|---------------------------|-----------|------|---------|------|
| Design | | | | |
| Structure and ease of use | | | | |
| Language and tone | | | | |
| Type of detail | | | | |
| Overall experience | | | | |

6. How do you feel we could improve our 2009 report?

7. Please select which of the following best describes you

- a. Customer
- b. Employee
- c. Supplier
- d. Peer or partner
- e. Analyst
- f. Shareholder
- g. Journalist
- h. Student
- i. Government
- j. NGO/Charity
- k. Other (please specify) – with box

8. Please tell us where you are primarily located:

- a. UK
- b. Continental Europe
- c. North America
- d. Central and South America.
- e. Middle or Near East
- f. Asia Pacific
- g. Africa

9. If any of your comments require a response, please leave your name and contact details below:

Name :

Contact :