

# The way we work

Trust in business has declined in recent times. At Balfour Beatty we are committed to operating responsibly and have developed significant programmes of activity in five key areas which are embedded across our whole organisation.

## 1. Ethics and values

Values-based businesses are high performing businesses, and our values underpin everything we do. We live by these values.

## 2. Sustainability

We have a clear vision for operating sustainably, with specific goals. You will find evidence of this throughout this report and in more detail within our sustainability report 2011 at [www.balfourbeatty.com/sr11](http://www.balfourbeatty.com/sr11).

## 3. People

Our business is a people business. Recruiting and retaining the best people is a key focus for us.

## 4. Health and safety

We passionately believe that every employee has the right to go home without injury and that no member of the public should be harmed as a result of our work. Our Zero Harm programme has delivered good results, but as ever, we must continuously seek out improvements across the business.

## 5. Respecting our communities

We touch many communities all over the world, wherever we operate. We engage directly with those communities and in particular have a strong commitment to get young people into the job market through skills training. Our charitable activities are geared towards this goal.

## 1. Ethics and values

### Our values

We have embedded our values across the business to ensure that all our people act consistently and make the right decisions, day in day out. **Integrity** requires us to be honest and transparent and always do what is right. **Teamwork** means seeing ourselves as part of a bigger picture in the way we work with colleagues across the Group – and with customers and suppliers. **Respect** shapes the way we treat people inside and outside the business – and the wider community and environment. **Excellence** is the standard of performance people are entitled to expect from a leader.

### Our commitment to integrity

Our ethics, values and compliance programme is designed to embed ethics and integrity across our business. It covers not only bribery, fraud and competition law, but also data protection, human rights and other areas addressed in our Code of Conduct. To earn the confidence and trust of clients and other stakeholders, and to support our business strategy, we must conduct our business ethically and with integrity across all these activities and at all times. We must play our part in helping to eradicate corruption and uphold good business practices wherever we work. And we must ensure that, wherever we operate, we comply with local and applicable international laws – or our own ethical standards, if higher.

In 2009 we published our comprehensive Code of Conduct. During 2011 we continued to embed this, building on the two online training modules that all office-based and supervisory staff are required to take. We also continued a series of visits to our business units to assess and raise awareness of ethical risks associated with specific sectors and countries. To date 30,000 employees have completed the first module of the training and we will report on completion of the second module in next year's report. In 2012 we are also rolling-out an ethical training programme for site operatives.

We continue to encourage employees and others to report actual or suspected unethical behaviour to their managers or via our Ethics Helpline or other channels. As expected, last year we saw another significant increase in the number of cases of potential breaches of the Code of Conduct (whether reported or through such channels or detected by management), from 176 in 2010 to 284 in 2011.

We have many thousands of subcontractors and suppliers, consultants, and joint venture and consortium partners. To reduce third-party risk and protect both suppliers and ourselves, we launched a new Code of Conduct for Subcontractors, Suppliers and Partners in 2011.

Our priorities for 2012 and beyond are to continue embedding appropriate procedures and controls for managing the supply chain and other third-party risks to support our growth strategy in new and often higher-risk markets.

### Independent review of anti-corruption measures

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

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

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

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

## 2. Sustainability

### Sustainability – respecting the bigger picture

As a business we have set out a clear path to embed sustainability into everything we do by 2020. Our Vision and Roadmap defines where we want to be in 10 key focus areas: customers, influence, our people, our supply chain, the communities we serve, climate change, waste, water, materials and ecology, and how we intend to get there. We have made significant progress in 2011.

### Assessing our progress

During the year KPMG completed its independent review of our operating companies' progress in implementing their sustainability action plans. Its consultants visited more than 20 operating companies in seven countries. They interviewed 380 managers and senior leaders, and identified 180 examples of good practice which we shared across the Group. Parsons Brinckerhoff completed and launched its own action plan during the year.

We continued our programme to engage employees on sustainability through awareness training and appraisals. Over 17,000 employees completed our comprehensive e-learning module in 2011. We also received over 60,000 pledges of personal commitment to change behaviour for more sustainable outcomes.

To be considered a leader in sustainability we need to be seen to be benchmarked against other companies. To that end we will participate in the Business in the Community Corporate Responsibility Index in 2012.

### Delivering sustainability for our customers

For us, sustainability is not only a business goal. It is also a product that we can offer our customers, by helping them to make more sustainable choices.

The "green economy" presents growing opportunities for us. Our capabilities across the infrastructure lifecycle mean we are well positioned to provide more sustainable solutions for our customers, and we are winning increasing amounts of business in this area.

We are making particular progress in three areas:

- renewable energy infrastructure, particularly offshore wind
- municipal waste management facilities
- greening existing buildings through energy consulting services and retrofitting low-carbon technologies.



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

**Paul Edwards,**  
Head of Sustainability, Hammerson plc  
(and chair of the 2011 stakeholder panel)

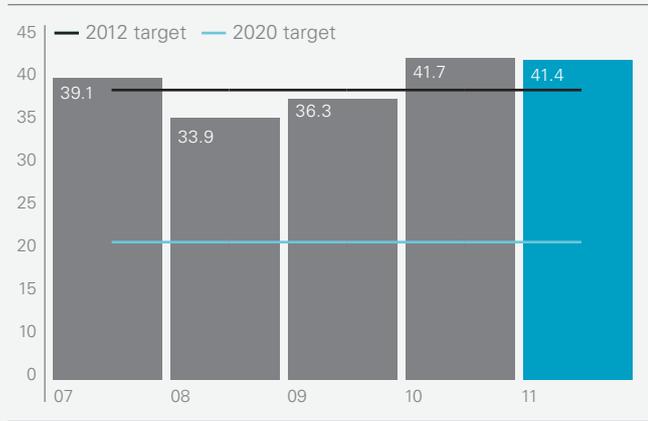
This is a natural field for collaboration between our businesses and we have been strengthening the teamwork involved in our approach to winning new business. During the year we held workshops in Atlanta and London for our business development and sustainability teams to share best practice and experience in exploiting these new growth opportunities.

Our Group-wide approach is enabling us to develop innovative new tools that sharpen our competitive edge. For example, we have developed a cutting-edge water footprinting tool to measure the amount of water embedded in building materials, and a climate change adaptation framework which allows us to assess adaptation measures right across the infrastructure lifecycle.

We are also applying our expertise to play a more influential role in heightening market awareness of sustainability issues. Examples in 2011 included responding to the UK Government's Natural Environment White Paper to encourage biodiversity enhancement through better infrastructure procurement, and our involvement in the Strategic Forum for Construction and UK Contractors' Group to disseminate best practice on saving water in construction and piloting the Environment Agency's carbon calculator on building projects.

# The way we work continued

**Global equivalent tonnes CO<sub>2</sub> per £m revenue (excluding air travel data)**



### Environmental performance

We have made good progress against a number of environmental targets in our roadmap. We reduced our use of water, are on track to halve our waste to landfill by 2012 and in the UK procured 34% of our major materials from recognised responsible sourcing schemes. Reducing our energy consumption continues to be challenging, but overall in 2011 our CO<sub>2</sub> emissions decreased slightly to 41.4 tonnes/£m (2010: 41.7 tonnes/£m following restatement due to more comprehensive data). Improvements in our UK businesses were partially offset by a growth in more energy-intensive projects in Hong Kong. Further details are available in our sustainability report 2011 online.

### Environmental governance and compliance

Strategic environmental issues are reviewed by the sustainability working group. An environmental managers' forum also reviews key topics and shares best practice across the Group. Environmental performance is audited regularly.

Six minor environmental incidents resulted in enforcement action and fines in 2011 across the Group (2010: five) totalling £18,800 equivalent. These ranged from exceeding noise limits, to waste violations and a minor oil spill. Corrective actions have been completed for each violation.

We are currently developing our approach to responsible procurement, and intend to implement a global procurement model in 2012. During the year we also intend to finish refreshing our sustainability roadmap with new targets for 2015, to embed sustainability into our leadership framework, and to introduce a measurement tool for assessing the impact of our community investment programme.

We will also be able to report progress against the key safety and environmental targets set for 2012 in the roadmap and our Zero Harm vision.

## 3. People

### Working together, fulfilling potential and enhancing capabilities

At the heart of our strategy is recognition that the skills and potential of our people and their ability to team effectively with each other, our customers and the supply chain will be a crucial differentiator for the Group. As well as enhancing the quality of the solutions we develop, building and sustaining strong relationships will help us improve our services and drive operational efficiency.

Already, our commitment to individual and team development has enabled us to share a range of efficiency improvements with customers, introduce more flexible working arrangements, promote transparency in the way we work, understand our customers and develop innovative, value-add solutions. Our focus on the whole picture, the full lifecycle of the asset, means we can deliver more complete and sustainable solutions for our customers and we intend to take this further. In the future, we want all our people to understand that they are part of a broad community of interest across the Group, unconstrained by the boundaries of our existing business and ways of working. We are committed to evolving a culture in which everyone actively promotes the free exchange of knowledge and openly demonstrates collaboration with colleagues and customers. And we will support this with technology, implementing an integrated platform that allows the Group to share information across the business and work together effectively to common goals.

Supporting our people in realising their potential and maximising the know-how, skills and capability available to the organisation is central to the delivery of our growth strategy. Our demonstrable, ongoing commitment to high-quality development and leadership will help us to attract and retain the high-quality skills and attributes we need in the business.

Unlocking this potential and realising the value of our people also requires a more progressive approach to diversity and inclusion. Building on a strong platform of local activities and accreditation, the Group is now looking to define its standing as an employer and, working with partners like Opportunity Now and Global Diversity Practice, to promote our strong commitment to diversity internally and in the market. We recently approved a broad range of measures covering the way in which we attract, recruit, develop and promote people to support the progression of under-represented groups in the organisation. The global scale and scope of our business creates a growing range of exciting opportunities for personal and career development for our people, offering more of them the chance to work across industry, geographic and cultural boundaries.

In 2011, we continued to enhance our graduate proposition and development programmes (and improved our standing as a Times' best graduate employer from 69th to 66th). We also refreshed our suite of management and leadership development programmes to support a more integrated approach to career development. Finally, we improved our comprehensive annual Group-wide Succession and Talent Review clarifying the link between identifying potential and the provision of opportunities for development. The application of a broad "diversity lens" to the review is just one of the measures in place to both accelerate the progression of our most talented people and ensure appropriate and tailored support is in place.

## 4. Health and safety

### Ensuring people's health and safety

The health and safety of all our people and everyone affected by our activities is fundamental.

Our vision is to achieve Zero Harm with zero deaths, zero injuries to the public and zero ruined lives among all our people. This means no seriously disabling injuries, no long-term harm to health and the goal of a zero accident frequency rate by the end of 2012.

A bold vision like Zero Harm does not come easily; it demands real leadership, a consistent focus on risk elimination and unrelenting attention to detail.

For the most part the campaign made good progress in 2011. Our overall Group performance improved, with most businesses making further strides towards Zero Harm.

Of the 189 major injuries reported in 2011, five were permanently disabling, compared with two in 2010. The Group Accident Frequency Rate ("AFR") increased to 0.17 in 2011 from 0.16 in 2010 which is disappointing but driven by the particular safety challenges in Gammon. There were significant improvements in many parts of the Group with 16 out of 27 businesses showing either an improved AFR or remaining at zero AFR in 2011 compared with 2010 and the overall Group AFR has reduced by 67% since 2001.

There were 158 injuries to members of the public in 2011, compared with 159 in 2010.

However, we regret that, tragically, there were five worker fatalities during the year, all in our Hong Kong joint venture business, Gammon Construction. Every fatal accident is subject to a thorough investigation and review by the Balfour Beatty Board. A detailed plan is in place. Further details are available in our sustainability report 2011 online.

In 2012 we are re-energising our approach to ensure that we achieve our Zero Harm vision. This will include a focus on planning work through a Zero Harm lens – Zero Harm thinking needs to permeate all aspects of design and planning well before work starts onsite. We seek to eliminate risk early in the design and planning process as only then can we be sure that people will not be harmed.

### Leadership

Zero Harm has brought some encouraging results – and this is always where individuals at any level have gone the extra mile to make Zero Harm a reality on their patch. They take real ownership, live Zero Harm and actively drive out risks. Our priority is to re-energise our leadership of Zero Harm and focus on risk elimination. We will also extend our Leading Change: Driving the Safety Agenda programme to the next layer of management.

## 5. Respecting our communities

### Respecting the communities around us

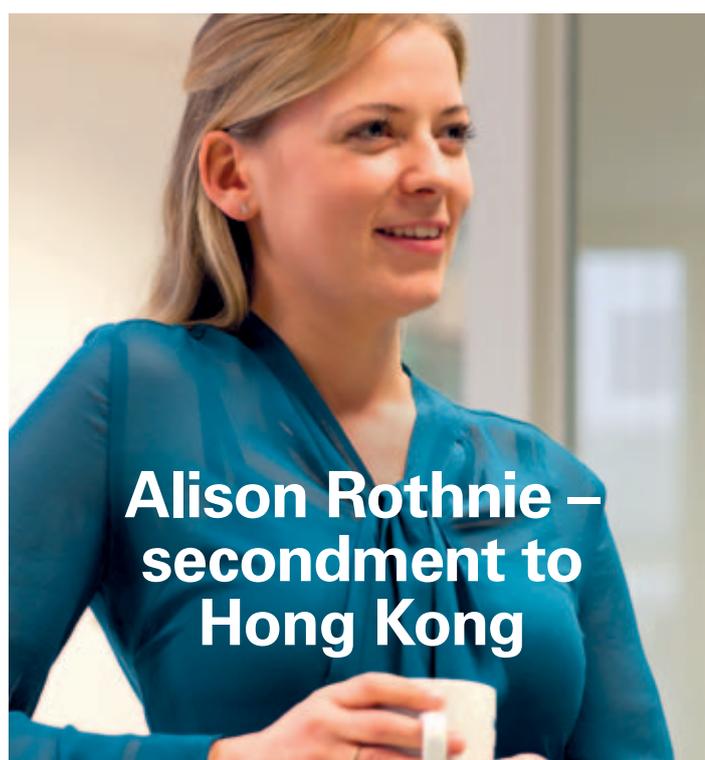
By its nature, our business is centred on communities and brings them significant benefits: we improve people's everyday lives around the world by creating and caring for efficient, high-quality civil and social amenities.

However, we also recognise the importance of engaging more directly with the communities where we operate. Because our operations are so widely dispersed, we do this in a decentralised way through local initiatives that fit with the individual objectives of our businesses and provide motivation and engagement for their employees. Across the Group there is a high degree of commitment to and activity in community investment.

At Group level we work, often in partnership with customers, to support organisations and activities that aim to improve social cohesion and inclusion. These have included the London Youth Games and the Prince's Trust with its Get Into Construction scheme. We also donate cash and the energies of our employees to selected charitable causes. In late 2008 we formed our own charitable trust, Building Better Futures, which has donated over £1.5m to disadvantaged young people's charities.

In 2011 we carried out a strategic review of our community objectives and policies to take account of the Group's increasing size and geographical spread and to fulfil our desire to align our community programmes more closely with key social issues and our core business activities. As a result of this we are developing a Group-wide programme branded as Balfour Beatty – Building Better Futures. It will focus on three themes: young people's employability and employment; helping the most disadvantaged young people in society; and health, sport and wellbeing.

We also want to build a volunteering culture and will be conducting a Group-wide review to help us achieve this. This will include a review of divisional HR policies to encourage volunteering, as well as working with our business and charitable partners to identify opportunities for our staff to become involved.



**Alison Rothnie –  
secondment to  
Hong Kong**

As Balfour Beatty continues to grow and become more international, so do the opportunities for our employees to work in different countries and cultures.

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

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

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

**Alison Rothnie,**  
Sustainability Manager, Connect Plus Services