

Corporate responsibility

Balfour Beatty has been formally reporting its safety, environmental and social performance through independently audited reports since 2001.

During that time, the Group has very substantially reduced its accident frequency rate, greatly improved the management of its environmental impacts and made significant progress in all aspects of corporate citizenship.

This progress was recognised when the Company won the top award for corporate social responsibility in 2006's "Quality in Construction" awards.

Governance and management

The Board

The Balfour Beatty Board sets policy and takes responsibility for the Group's performance in safety, health, the environment, business ethics, risk management, human rights and other social issues. In early 2001, the Business Practices Committee of the Board was established to review policy, practice and performance in these areas.

The Committee, which comprises non-executive Directors under the Chairmanship of Sir David John, receives reports from the Chief Executive and from the director of Safety, Health and the Environment. It meets four times a year.

Guiding principles

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 that time. "Business Conduct Guidelines" explains to all employees what is expected of them in terms of behaviour, procedures and attitudes. In 2007, all employees will receive on-line training in respect of these guidelines.

"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.

Specific policies

Balfour Beatty has clearly-stated policies for risk management, safety, health, environment, human rights, drugs and alcohol, equal opportunities and whistle-blowing. Within this framework, operating companies are required to develop policies and practices relevant to their particular circumstances.

Management systems

The Group-wide risk management framework provides a common system for reporting and escalating risks of all types. Each operating company, division and project is subject to rigorous risk analysis, evaluation and management. Major risks are reviewed regularly at senior management levels.

Safety and health issues are reviewed by the Group Health and Safety Council, with each main segment of the business having its own equivalent body. Balfour Beatty requires all its operating companies to have formal safety management systems, which are subject to external audit.

Environmental issues are reviewed at the Environmental Strategy Group comprised of representatives of the operating companies under the chairmanship of the director of Safety, Health and the Environment.

Environmental performance is audited regularly and Group-wide statistics are collated in respect of the Group's major environmental impacts.

Safety

The Group's stated aim is to operate in such a way as to have zero fatalities, zero permanent disabling injuries and to be accident free overall.

Over recent years, the Group has made good progress in reducing accidents. In 2006, its Accident Frequency Rate was reduced by 24%, the fourth consecutive year of improvement, and stood at 0.25 reportable accidents per 100,000 man-hours worked. This has been achieved despite very significant increases in numbers employed. The Group's safety statistics are subject to independent external audit.

Performance is benchmarked against industry norms in the UK, Germany, US and Hong Kong. The Group's performance compares favourably with these external benchmarks.

Quality in construction



In 2006, Balfour Beatty received the Quality in Construction award for the best Corporate Social Responsibility Policies and Programme in the sector.

Guiding principles



The Group has a comprehensive system of ethical governance.

Regrettably, there were eight fatalities during the year, all outside the UK. Significant effort is being made to improve safety management standards in the Group's overseas operations to match the high standards that are achieved in the UK.

All fatalities and serious incidents are fully investigated and reviewed at senior management level. Root cause analyses are undertaken and logged to enable detection of system causes, and for appropriate programmes to be developed in response.

Health

The rigorous standards which the Group applies to safety management are increasingly now being applied to occupational health. Occupational ill-health is often the result of prolonged exposure to substance, condition, process or activity and is not, therefore, easily tractable in the short term.

The Group's approach is to identify the potential causes of ill-health and develop specific policies and programmes for each one. Active programmes exist for hand-arm vibration syndrome, disorders arising from manual handling, alcohol and drug abuse, and substances hazardous to health. The Group is improving its programmes for stress.

Environment

Balfour Beatty works systematically to prevent negative environmental impact from its activities and to improve its environmental performance at every stage of its work. The Group's approach is structured and risk based, with formal environmental management systems, independently audited. It continues to take the necessary steps to embed environmental management systems into the business both in the UK and overseas.

The progress made in improving the Group's environmental performance over recent years is illustrated by improving scores and league table positions in the Business in the Community environment index.

The Group reviews and maintains progress by monitoring trends and performance in five specific areas. These are energy use and global warming; resource usage; waste and recycling; water consumption; and impact on environmentally-sensitive areas. The robustness of the Group's environmental management systems, is also measured.

Validation and external audit of 2006 data will not be complete until after the date of publication of this report and data will appear on the Balfour Beatty website in May.

Resource usage

There is an increasingly systematic focus on sourcing of materials, usage of non-renewable resources, and evaluating and managing the Group's supply chain in respect of environmental issues.

Waste

The construction process typically generates large volumes of waste. Over the last five years, Balfour Beatty has raised the awareness of this problem across the business, and has improved its measurement of construction waste – aided by the use of national waste contractors who are able to provide accurate data on waste volumes and recycling.

The Group has significantly reduced waste generated on site (down 30% per £million net sales value in the UK in 2005, compared with 2004), and has seriously increased the amount of waste sent for recycling and its use of recycled products. For example, in the UK in 2005 the Group recycled 27% more metals, 44% more plastics, and 10 times more packaging than in 2004.

Energy usage

Balfour Beatty has reduced its relative contribution to global warming by 28% over the period 2002-2005. The Group invests in new and emerging technologies for vehicle emission reduction. Most particularly, significant improvements have been achieved by the use of GPS and vehicle tracking systems in more economical vehicle routeing.

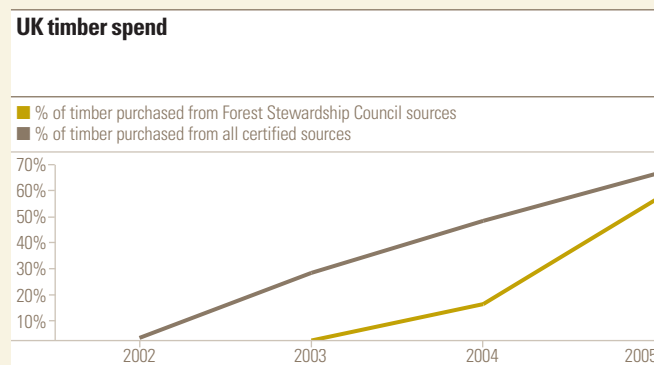
Water consumption

The Group's consumption of water, up by 90% in 2005, is increasing in line with the rapid growth in the incidence of contract vehicle cleaning and increased availability of meter readings to replace estimates. The Group is seeking ways to improve the efficiency of its water consumption.

Environmentally sensitive areas

The Group has extended its range of key indicators to include positive and negative effects on environmentally sensitive sites and is developing its thinking on biodiversity. All operating companies have reviewed their responsibilities for contaminated land. Archaeological aspects of sites are explored thoroughly before commencement of use.

Business in the Community environment index	
Score %	
2005	88
2004	82
2003	77
2002	60
2001	45



Corporate responsibility (continued)

Social performance

Balfour Beatty's business is in the creation and improvement of social capital – schools, hospitals, transport systems, buildings for example. In so doing it makes a substantial contribution to society.

The following key principles guide Balfour Beatty's approach to managing its community and wider social responsibilities beyond safety, health and the environment. These are:

- to engage, positively, with all its stakeholders and to answer to them for its policies and programmes;
- to engage fully with the communities and individuals directly impacted by its project work and to keep them appropriately informed of progress and any issues which might affect them; and
- to add value to its work in creating and caring for infrastructure assets by delivering added community benefits and offering opportunity to disadvantaged individuals.

Stakeholder engagement

Employees

There is a comprehensive corporate and operating company-based communications programme aimed at ensuring that all employees have access to the information they need. Most operating companies conduct regular employee attitude and opinion surveys. In 2007, the first Group-wide survey of employee opinion is planned. The Group has an active whistle-blowing policy through which eight issues were raised in 2006 (14 in 2005).

The Group's equal opportunities performance is measured annually. In 2006, 17% of employees were women and 6.2% were of ethnic minority origin. These statistics are considerably improved from when measurement first took place in 1999. At graduate intake level, the proportion of women is 23% and of ethnic minorities is 7%.

Shareholders

Balfour Beatty runs an active shareholder engagement programme involving regular roadshows and one-to-one meetings. During 2006, senior executives held over 100 meetings with shareholders, representing, in aggregate, approximately 60% of the issued ordinary share capital. All financial presentations are webcast in order to ensure that they are accessible to all shareholder groups, and other interested parties.

Customers

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.

Suppliers

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. The Group has developed and implemented a "Supply Chain Environmental Risk and Impact Grading Tool" to assess supply chain risks.

Government and regulators

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.

Communities and our projects

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. Key stakeholders are offered direct access and, when necessary, there will be liaison with local police and other emergency services, and help lines.

Building better communities

Balfour Beatty seeks to enhance the communities impacted by its operating companies and infrastructure projects. For example:

Stoke Football Action

Over £100,000 of funding and substantial management support from Balfour Beatty has unlocked public sector funds to create a £320,000 three-year football coaching programme in Stoke, where Balfour Beatty is the PPP schools concession company. This programme has already proved extremely effective in reducing vandalism and other anti-social behaviour amongst pupils at risk of social exclusion. The programme was officially launched by Richard Caborn, Minister for Sport, in December 2006.





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1 Rt Hon Richard Caborn MP, Minister for Sport opens the Group's football coaching programme in Stoke-on-Trent.

2 Rt Hon Tessa Jowell MP, Secretary of State for Culture, Media and Sport opens the 2006 London Youth Games.

3 Balfour Beatty is a founding sponsor of the Prince's Trust scheme to offer training and employment to disadvantaged individuals.

Groundwork UK

Balfour Beatty is working on a number of projects with the network of trusts and volunteer organisations which make up Groundwork UK. These projects, which are all close to long-term local Balfour Beatty work sites or completed PPP projects are aimed at improving local amenities and facilities for local people.

For example, the Group has helped to create new footpath access to the PPP hospital in Blackburn, renovated an old castle for educational purposes close to the PPP hospital in Birmingham and has refurbished and upgraded a children's play area close to the site of Pinderfields Hospital where Balfour Beatty Capital is preferred bidder.

London Youth Games

As the 2006 and 2007 corporate partner to the London Youth Games, in which over 20,000 London school children participate every year, Balfour Beatty is improving sporting facilities and encouraging sporting achievement amongst young people across the capital, where a significant proportion of the Group's infrastructure work is conducted. Balfour Beatty is also providing a sports development grant for all the London boroughs to accelerate investment in new and improved sporting facilities.

Building better lives

Get Into Construction

In pursuing its business objectives, Balfour Beatty offers opportunity to disadvantaged individuals.

The Group is a founding sponsor of the Prince's Trust initiative – "Get Into Construction" – which offers training and employment in the construction industry to disadvantaged young people. Following a successful pilot exercise in 2006, 23 courses are planned for 2007 across the UK.

NCH

The Group's charity of the year for 2007 and 2008 is NCH, the nationwide children's charity. In addition to its corporate donations, Balfour Beatty offers matched funding to groups or individual employees engaged in fundraising for the charity.

In 2005 and 2006, Balfour Beatty raised over £200,000 for its previous charity of the year, the Marie Curie Foundation.

Employment of released offenders

Working in conjunction with one of its largest customers, National Grid plc, Balfour Beatty offers convicted offenders due to be released back into the community, the chance to be trained and employed in its infrastructure refurbishment and upgrade work on the gas and electricity networks.

Being able to pursue a specific job opportunity while still detained significantly increases the chances of a successful re-entry into society and decreases the likelihood of recidivism.

To see our full Corporate Responsibility report visit:

[www.balfourbeatty.co.uk/
bbeatty/responsibility](http://www.balfourbeatty.co.uk/bbeatty/responsibility)

