
Corporate responsibility

INTEGRATED RESPONSIBILITY

In 2008, Balfour Beatty continued to make substantial progress in creating a safer working environment, in reducing its environmental impacts and in extending the value it adds to the communities in which it operates.



MANAGING OUR RESPONSIBILITIES

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. The Business Practices Committee of the Board, which comprises non-executive Directors under the chairmanship of Stephen Howard, reviews policy and performance in these areas.

In 2008, specific groups were identified to take responsibility for safety and for sustainability. The Group Safety, Health and Environment team has also been expanded during the year to offer greater support to our operating companies which also have their own dedicated resources.

Guiding principles

It is Balfour Beatty's policy to operate to clear and unequivocal standards of ethical behaviour. The Group has set out five core principles, which are at the heart of all the Group's activities. These are set out on our website, and in summary are:

- to comply with the law wherever we operate;
- to conduct all our business and make all our decisions within a clear ethical framework;
- to maintain safe and healthy workplaces and ensure the safety of the public;
- to contribute positively to the physical and social environments in which we operate; and
- to engage positively with all our stakeholders.

Balfour Beatty first defined and communicated a coherent set of ethical principles in 1986. Since then, these principles have been regularly reviewed and updated, most recently in 2006.

Two companion codes have also been developed to ensure adherence to these principles. The first, "Business Conduct Guidelines," explains to every employee what is expected of them, in terms of behaviour, procedures and attitudes. In 2008, an online training programme to embed these principles was initiated.

By the end of the year, over 55% of UK employees had successfully completed the programme. This will continue to be rolled-out across the Group in 2009, and further, more detailed programmes will be developed.

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

During 2008, the Group began a process to refine its ethical principles further, with an exercise to define its core values. These will be widely communicated during 2009.

Together, these documents constitute a comprehensive system of ethical governance which will continue to be reviewed periodically.

Group policies

Balfour Beatty has clearly-stated policies and principles for a range of important issues such as risk management, safety, health, environment, human rights, equal opportunities, whistleblowing and competitive behaviour. Within this framework, operating companies are required to develop specific policies and practices, relevant to their particular businesses.

Management systems

The Group-wide risk management framework provides a common system for identifying and controlling risks of all types. The principal risks and risk management are set out in the Directors' report and accounts 2008 on pages 9 and 10.

Each operating company, division and project is subject to rigorous risk analysis, evaluation and management. Major risks and opportunities are reviewed regularly at senior management levels including by the Audit Committee and Board.

Balfour Beatty Group and operating company review processes are also in place for key non-financial issues.

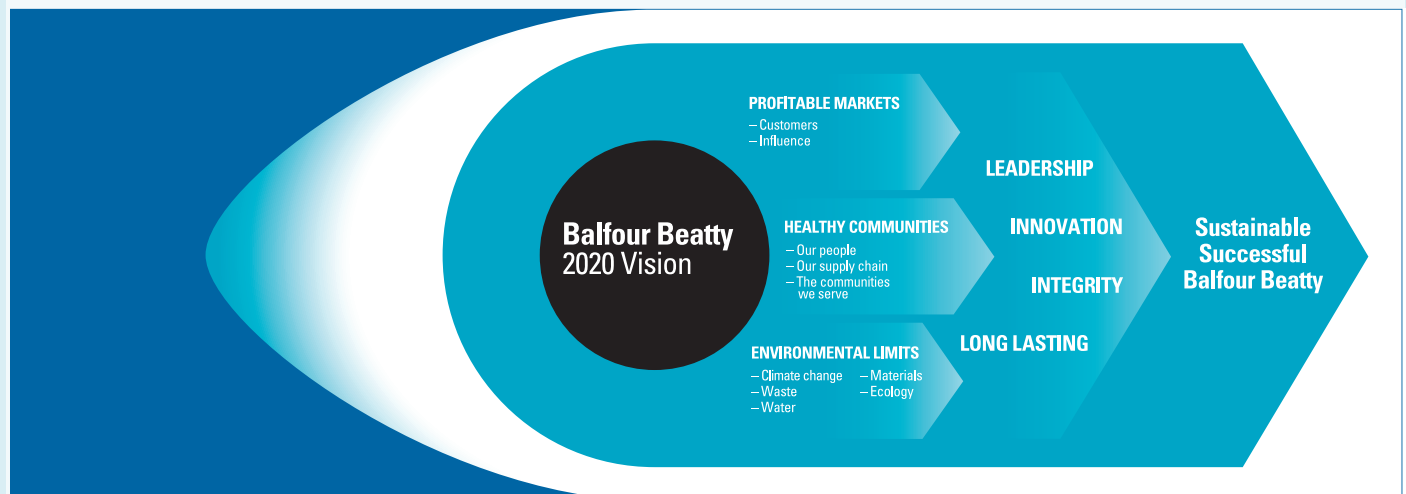
Safety and health issues are reviewed by the Board and its Executive Committee, with each main segment of the business having its own equivalent body. Balfour Beatty requires all its operating companies to have formal safety management systems, which are subject to external audit.

Strategic environmental issues are reviewed by the sustainability working group, chaired by a Group managing director. An environmental managers' forum reviews key topics and shares best practice between the operating companies. Environmental performance is audited regularly and Group-wide statistics are collated in respect of the Group's major environmental impacts.

SUSTAINABILITY

During 2008, a cross-sectoral sustainability working group was established under the leadership of a Group managing director. With support from Forum for the Future, current practices have been reviewed and a Group vision for 2020 has been developed, incorporating sector leadership, innovation, integrity and life cycle thinking. Our success as a sustainable company will be achieved by aligning the long-term interests of our markets, communities and the environment.

A Group-wide strategy on sustainability will be launched in early 2009. Many of our operating companies already have well developed sustainability programmes. The objective will be to accelerate and cross-fertilise the approaches already developed in many parts of our business.



Corporate responsibility

ENGAGING WITH OUR STAKEHOLDERS

Balfour Beatty recognises the importance of engagement with all its key stakeholders as a key element of its corporate responsibility and to achieve its sustainability vision.

Systems and programmes for stakeholder engagement are at different stages of development across the Group and are in the process of being reviewed and enhanced.

Employees

There is a comprehensive corporate and operating company-based communications programme aimed at ensuring that all employees have access to relevant and timely information about the Group and their own operating company.

Most operating companies conduct regular employee attitude and opinion surveys. The first Group-wide survey of employee opinion commenced in 2007 and was completed in early 2008. A range of action plans was identified with operating companies taking the lead. In addition to other measures, this confirmed that employees were aware of the Group's Business Conduct Guidelines and whistleblowing policy. There were 28 issues raised through the whistleblowing procedures during the year (16 in 2007). All of these were investigated and reported to the Board's Business Practices Committee.

The Group measures its equal opportunities performance. In 2008, 20% of all employees were women and 15% were of ethnic minority origin. These statistics have considerably improved from when measurement first took place in 1999. At graduate intake level in 2008, the proportion of women is 24%, the highest level since we started recording across the Group in 2000, and of ethnic minorities is 19%, again the highest level since we began recording in 2002.

15%

of employees are from ethnic minority origin

In 2008, a suite of key performance indicators was developed which is being implemented during 2009. This will provide an improved level of reporting at Group level and promote sharing of best practice throughout our businesses.

Shareholders

Balfour Beatty runs an active shareholder engagement programme involving regular roadshows and one-to-one meetings. Requests for meetings with and information about the Company are handled quickly and efficiently. During 2008, senior executives held approximately 100 meetings with shareholders. All financial presentations are webcast in order to ensure that they are accessible to all shareholders and other interested parties.

Customers

Most of the Group's operating companies conduct 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 number of customers take advantage of the integrated nature of Balfour Beatty's services by working with several operating companies.

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 with the requirements of the Group as well as product quality and price.

We undertake rigorous checks on the financial strength of our supply base before we sign contracts and seek to ensure that we are not over-reliant on any particular business.

Government and regulators

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

Bibliotheca Alexandrina project

In October 2008, Balfour Beatty reached full settlement of all issues relating to the Bibliotheca Alexandrina project in Egypt, a joint venture contract entered into in 1996.

Balfour Beatty carried out its own fully-documented internal investigation of certain payment irregularities identified in the contract and, in April 2005, self-reported the findings to the appropriate authorities, including the Serious Fraud Office (SFO), for further investigation.

As part of the settlement agreed with the SFO, Balfour Beatty agreed to review its existing codes of conduct to ensure they are consistent with best practice, to put in place further training programmes in the area of ethical business conduct, and to appoint an external monitor to review the policies and processes within the Group.

The external monitor appointed by Balfour Beatty is the Global Infrastructure Anti-Corruption Centre (GIACC). GIACC has been conducting a thorough review of Balfour Beatty and its existing systems. The Board plans to implement the recommendations of GIACC in full, and a copy of the GIACC report will be sent to the director of the SFO. When complete, a summary of the contents of the GIACC report, and its recommendations, will be provided in the Corporate Social Responsibility Report.

ENSURING SAFETY AND HEALTH

Maintaining a first-class safety culture is key to our business and we continue to make good progress.

Safety

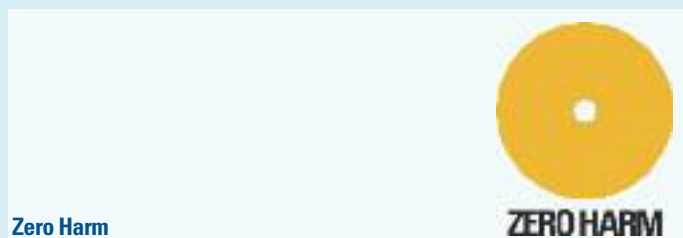
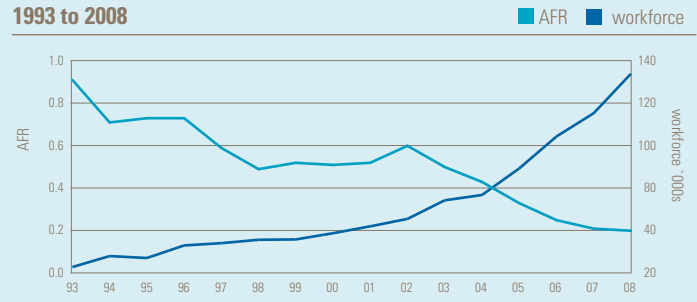
In recent years, the Group has made consistent progress in reducing accidents. In 2008, its Accident Frequency Rate (AFR) was reduced by 5%, the sixth consecutive year of improvement and stood at 0.20 reportable accidents per 100,000 man-hours worked. This has been achieved despite very significant increases 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.

Regrettably, there were eight fatalities during the year (18 in 2007). Five of the fatalities were in joint venture business operations in South-East Asia and the Gulf, with one each in Australia, Chile and the UK. Very significant effort is made in improving safety management standards throughout the Group to ensure that we reach high standards in all our businesses across the world.

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

During National Road Safety Week, Balfour Beatty Plant and Fleet Services launched an award-winning driving simulator designed to reduce the risk of accidents and improve fuel efficiency. This is part of the Group's strong commitment to improving road safety.

1993 to 2008



Zero Harm

During 2008, the Group initiated a major programme to promote its aim to have zero fatalities, zero permanent disabling injuries, zero injuries to the public and to be accident free overall by 2012, while an accident frequency rate below 0.1 is achieved.

Entitled "Zero Harm," this programme is led by a Group managing director. It is intended to challenge the industry's assumptions about risk and extends to all parts of the Balfour Beatty Group, partners, subsidiaries and sub-contractors, working anywhere in the world.

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 measured 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. An enhanced occupational health (OH) strategy is under development, with our OH partners, and will be taken forward in 2009. Stress management arrangements have also been enhanced.



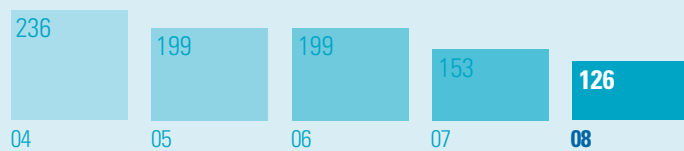
Corporate responsibility

PROTECTING THE ENVIRONMENT

Waste disposed

UK tonnes disposed per £m sales

-18% compared to 2007



Carbon footprint

UK tonnes equivalent CO₂ per £m sales

-18% compared to 2007



Our goal is to prevent harm to the environment as a result of our actions.

Management

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 Group reviews and maintains progress by monitoring trends and performance in five specific areas. These are:

- energy use and greenhouse gas emissions;
- materials usage;
- waste and recycling;
- water consumption; and
- impact on environmentally-sensitive areas, including biodiversity.

The robustness of the Group's environmental management systems is also measured. The Group continues to work hard to improve the quality and robustness of its data in an environment characterised by a growing and constantly changing project portfolio.

Five environmental incidents across the Group resulted in fines in the year – three in the UK, one in the US and one in Hong Kong. Corrective action has been taken in all cases.

Validation and external audit of the 2008 data will not be complete until after the date of publication of this report. Relevant data will appear on the Balfour Beatty website in May 2009 at www.balfourbeatty.com



Energy use and greenhouse gas emissions

Balfour Beatty has reduced its relative contribution to global warming by 47% over the period from 2004 to 2008 for its UK operations. 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 routing and usage. During the year, the Group further developed its understanding of the carbon impacts of its projects through their life cycle. The Group is making preparations for the introduction of the Carbon Reduction Commitment (CRC) in the UK. Under CRC, large companies will be required to report and reduce their carbon emissions from fixed site sources under a "cap and trade" scheme.

Materials usage

There is an increasingly systematic focus on our sourcing of materials, usage of non-renewable resources and evaluating and managing the Group's supply chain in respect of environmental issues. For example, in 2008, 70% of all timber purchased in the UK came from managed sources, including 55% specifically from Forest Stewardship Council schemes.

Waste and recycling

The construction process typically generates large volumes of waste. Over the last six 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 total amount of waste disposed in 2008 across our UK operations was 17.5% lower than in 2007 at 126 tonnes relative to £m sales. 64% of all our waste is recycled or recovered.

↓ 17.5%

reduction in waste disposed relative to sales,
compared to 2007



Water consumption

We continue to measure our consumption of water. Rainwater harvesting and water efficiency measures are applied across our projects.

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.



Corporate responsibility

ADDING VALUE TO THE COMMUNITY

It is Balfour Beatty's intent to engage fully with the communities and individuals directly impacted by our project work and to keep them appropriately informed of progress and any issues which might affect them. We are also committed to adding value to the work we undertake in creating and caring for infrastructure assets, by adding community benefits and offering opportunities to disadvantaged individuals.

Communities around our projects

It is Balfour Beatty's policy that all its major projects have a dedicated community relations team who provide information about the project to its stakeholders and manage relationships with them. Typically, major projects will be preceded by exhibitions and presentations. Regular newsletters and letter drops will keep stakeholders informed at key project milestones. Key stakeholders will be offered direct access and, where required, there will be help-lines and liaison with local police and other emergency services.

Helping young people fulfil their potential

Building Better Futures

In 2009, to mark the company's Centenary year, Balfour Beatty formed a new charitable fund, The Balfour Beatty Charitable Trust. Through this fund, a programme called "Building Better Futures" has been launched. The fund will work in partnership with two major charities, Action for Children (previously, NCH, the Children's Charity) and The Prince's Trust, to help disadvantaged young people throughout the UK. The funds will create accessible play areas for children at Action for Children centres and fund community cash awards for The Prince's Trust. The Company will donate £200,000 and will also match money raised by employees. Some community projects nominated by Balfour Beatty operating companies outside the UK will also be supported during the year.

The Group also sponsors The Prince's Trust initiative "Get into Construction." This offers training and employment in the construction industry to disadvantaged young people. Some 49 courses have been run to date, assisting over 600 people and further courses are in the planning stage. Of the individuals taking part to date, 95% have gone on to employment or further training.

95%

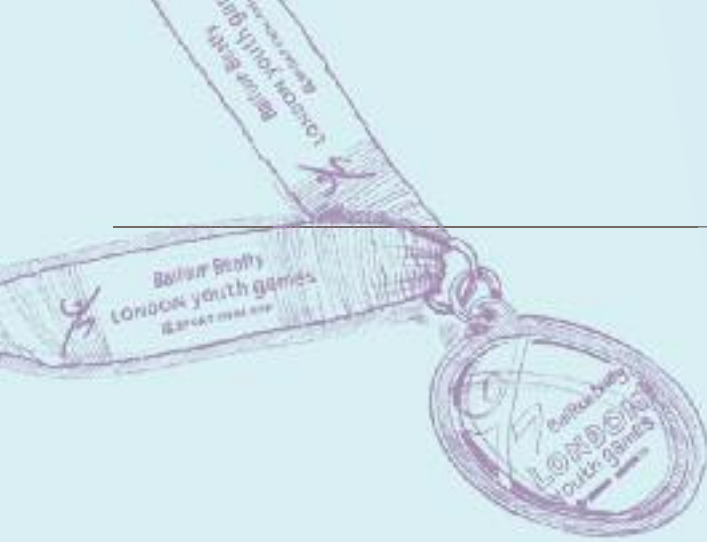
of participants in "Get into Construction" have gone on to employment or further training



Balfour Beatty received an Award of Excellence from The Prince's Trust in November 2008. This recognised the significant contribution the Group has made in supporting the scheme and increasing the skills and opportunities for disadvantaged young people.

In early 2009, Balfour Beatty became a patron of The Prince's Trust and is also sponsoring the Trust's Educational Achiever of the Year award.

Action for Children was Balfour Beatty's principal charity partner in 2007 and 2008. During that period, the charity received over £250,000 from the Group, in a mixture of corporate contributions and money raised by Balfour Beatty employees in a wide variety of fundraising activities.



Balfour Beatty London Youth Games

Having become a supporter of the London Youth Games in 2006, Balfour Beatty became the title sponsor in 2008, committing £1.7m to the Games in the period to 2013. The London Youth Games is Europe's largest youth sports programme. In addition to the sponsorship programme, a sports development grant scheme encourages participation amongst school children at grassroots level and maximises participation of the 32 London Boroughs and the City of London in the Games. A second grant scheme "Sporting Pathways" will promote the development of minority sports in London, in conjunction with their national governing bodies. An employee volunteering scheme has been launched for all Balfour Beatty's London-based staff, in conjunction with the Games.



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. Now entering its final year, the programme has proven extremely effective in reducing vandalism and other anti-social behaviour among pupils at risk of social exclusion and is now being extended to include specialist centres for excluded pupils. In 2008, the scheme involved 320 young people at 17 schools and centres.

Groundwork UK

Balfour Beatty has worked with Groundwork UK for three years to deliver improvement projects close to long-term Balfour Beatty work sites, aimed at enhancing local amenities and facilities for neighbouring communities and engaging young local people in the process. In 2008, the basis of the Group's relationship with Groundwork has been reviewed and a new programme of work with the charity will begin in 2009.

Other charities

Our Chief Executive, Ian Tyler has continued his role as president of CRASH, the construction and property industry charity for the homeless.

The Group continues to make donations to CRASH; to its former charity of the year, Marie Curie Cancer Care; to support the work of RedR, the engineering-based disaster relief charity; and remains a leading supporter of Engineers Against Poverty, the international charity dedicated to the alleviation of poverty in low-income countries.

Through Business in the Community (BiTC) the Group is supporting various activities, including a partnership arrangement to provide mentoring services to a school in Burnley.

In addition to the corporate programme, operating companies are extremely active in their local communities and have established partnerships with charities relevant to their own businesses. For example, during its centenary year in 2008, Mansell ran a company-wide campaign to raise £1m on behalf of a range of charities.

Balfour Beatty Utility Solutions in conjunction with one of its largest customers, National Grid plc, 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.

Balfour Beatty Construction US made a donation of \$100,000 to the Pentagon Memorial Fund, in parallel with its work to build the Memorial.

Balfour Beatty Capital seeks to make a real and tangible difference through its charitable partnerships. In 2008, this included a team undertaking project work in Malawi as part of the Times Leadership Challenge.

Reflecting the size of the Balfour Beatty fleet and our work with the Highways Agency, several operating companies also have a working relationship with the road safety charity BRAKE and support its campaigns.