

A construction worker wearing a high-visibility yellow safety jacket, dark pants, a white hard hat, and safety glasses is riding a bicycle through a large, circular industrial tunnel. The tunnel is filled with various pipes and structural elements, creating a complex, metallic environment. The worker is looking directly at the camera with a slight smile. The lighting is dramatic, highlighting the worker and the bicycle against the darker background of the tunnel.

# Building New Futures

**Balfour Beatty**

ANNUAL REPORT AND  
ACCOUNTS 2023



## ABOUT US

Balfour Beatty is a leading international infrastructure group with 26,000 employees driving the delivery of powerful new solutions, shaping thinking, creating skylines and inspiring a new generation of talent to be the change-makers of tomorrow.

We finance, develop, build, maintain and operate the increasingly complex and critical infrastructure that supports national economies and deliver projects at the heart of local communities.



SCAN OR CLICK TO WATCH  
OUR CORPORATE VIDEO



## Infrastructure expertise



### Digital transformation

Balfour Beatty is using data, AI and digital technologies to improve safety, productivity and assurance.



### Talented experts

Balfour Beatty's people strategy is focused on making sure we have the right people, culture, policies and systems to foster a sustainable business performance.



### Enhancing biodiversity

Balfour Beatty is dedicated to minimising its environmental impact and enhancing biodiversity, with a focus on protecting natural environments to support climate stability.

→ p24

→ p70

→ p64

## At the beating heart of society

Look out for this icon in the report to meet some of our experts and learn about the vital work they do to leave a positive, lasting legacy in the communities where we work.



AT THE BEATING HEART



### FRONT COVER IMAGE:

**Tremayne Taylor, General Operative,  
London Power Tunnels 2**



For the last year, I've been working on the London Power Tunnels 2 scheme to help rewire London's electrical transmission system. It is a complex project due to its city location. We use bikes to travel through the 32.5km tunnel network to our workstation, 40 metres beneath the capital! Once the project is finished, we'll donate the bikes to local schools to support young people with their cycling safety programmes."



SCAN OR CLICK TO WATCH  
OUR VIDEO ON HOW TO  
REWIRE A CITY



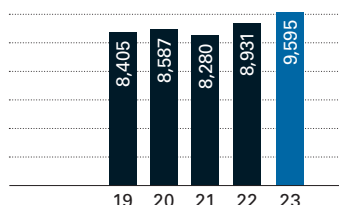
AT THE BEATING HEART



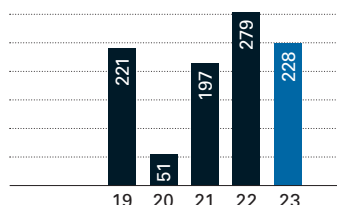
## FINANCIAL PERFORMANCE

The Group has presented financial performance measures which are considered most relevant to the Group and used to manage the Group's performance. An explanation of these measures and appropriate reconciliations to statutory measures are provided on pages 81 to 87.

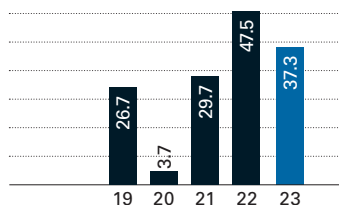
### ● UNDERLYING REVENUE<sup>1</sup> £m



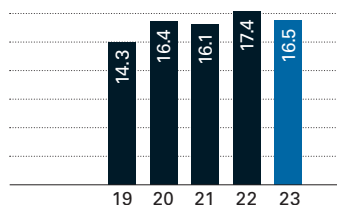
### ● UNDERLYING PROFIT FROM OPERATIONS (PFO) £m



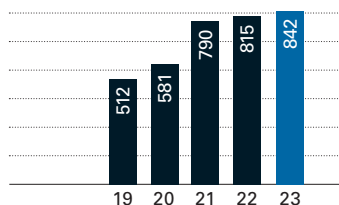
### ● UNDERLYING EARNINGS PER SHARE (BASIC) Pence



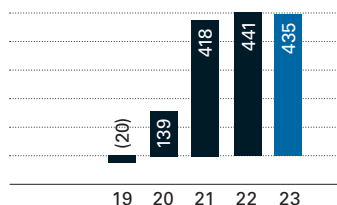
### ● ORDER BOOK<sup>1</sup> £bn



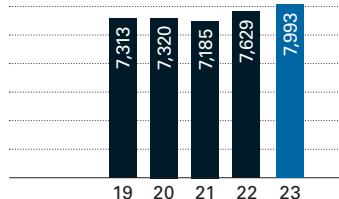
### ● NET CASH £m



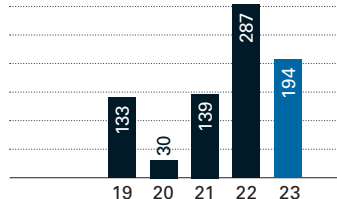
### ● STATUTORY NET CASH/ (BORROWINGS) £m



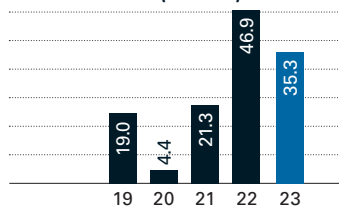
### ● STATUTORY REVENUE £m



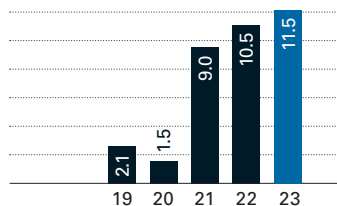
### ● STATUTORY PROFIT FOR THE YEAR £m



### ● STATUTORY EARNINGS PER SHARE (BASIC) Pence



### ● DIVIDENDS PER SHARE Pence



KEY ● Performance measures  
● Statutory measures

<sup>1</sup> Including share of joint ventures and associates, before non-underlying items.

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### Our Cultural Framework

Balfour Beatty's Cultural Framework provides a simple and clear view of our purpose, values and behaviours under our Build to Last strategy. The framework reflects who we are now as an international group, who we want to be, what we value and what drives the way we work.




SCAN OR CLICK FOR MORE INFORMATION ON OUR CULTURAL FRAMEWORK

# Building our culture

**Our purpose**  
**Building New Futures**  
 We are leading the transformation of our industry to meet the challenges of the future.

**Our strategy**  
**Build to Last**  
 Build to Last is our strategy for continuous improvement.



p26

**Our values**

LEAN EXPERT TRUSTED SAFE SUSTAINABLE

The norms and beliefs that drive the way we work and how we measure ourselves.

p26


**Our behaviours**

TALK POSITIVELY COLLABORATE RELENTLESSLY ENCOURAGE CONSTANTLY MAKE A DIFFERENCE VALUE EVERYONE

Reflect the things we will do to consistently deliver to the standard set out in our values.

**Our Code of Ethics**  
 Our Code of Ethics is the foundation of everything we do. It provides a clear direction on the standards, values and expectations that guide the behaviours of our employees and supply chain partners.

SCAN OR CLICK FOR MORE INFORMATION ON OUR CODE OF ETHICS



## Group highlights

REVENUE<sup>1</sup>

£9,595m

NUMBER OF EMPLOYEES

26,000

UNDERLYING PROFIT BEFORE TAX

£261m

DIRECTORS' VALUATION INVESTMENTS PORTFOLIO

£1.2bn



- United Kingdom **£8.9bn**
- United States **£5.6bn**
- Hong Kong **£2.0bn**

<sup>1</sup> Including share of joint ventures and associates.



# How we work

## Our divisions

### CONSTRUCTION SERVICES



Hong Kong International Airport, Airport Authority Hong Kong.

### SUPPORT SERVICES



UK: Nuneham rail viaduct restoration, Network Rail.

### INFRASTRUCTURE INVESTMENTS



US: Automated People Mover, Los Angeles International Airport.\*

## Expert capabilities

- > Our Construction Services businesses operate across infrastructure and buildings markets in the UK, in the US and in joint venture in Hong Kong
- > Their capabilities include civil engineering, building, ground engineering, M&E, refurbishment, fit-out and rail engineering
- > Our Support Services businesses operate principally in the UK, designing, upgrading, managing and maintaining critical national infrastructure
- > Their capabilities span electricity networks, rail and highways
- > Our Infrastructure Investments business develops and finances both public and private infrastructure projects in the UK and the US
- > It operates and maintains infrastructure projects and a portfolio of military and multifamily housing and student accommodation assets

## Selective bidding for contracts

Our stringent gated lifecycle process allows us to carefully control our project portfolio on an ongoing basis.

### ORDER BOOK<sup>1</sup>

**£13.7bn**

### ORDER BOOK<sup>1</sup>

**£2.8bn**

### DIRECTORS' VALUATION

**£1.2bn**

## Financial performance

### REVENUE<sup>1</sup>

**£8,081m**

### REVENUE<sup>1</sup>

**£1,006m**

### REVENUE<sup>1</sup>

**£508m**

### UNDERLYING PROFIT FROM OPERATIONS

**£156m**

### UNDERLYING PROFIT FROM OPERATIONS

**£80m**

### UNDERLYING PROFIT BEFORE TAX

**£47m**

### STATUTORY PROFIT FROM OPERATIONS

**£143m**

### STATUTORY PROFIT FROM OPERATIONS

**£80m**

### STATUTORY PROFIT BEFORE TAX

**£43m**

**FIND OUT MORE**  
Read the Operational review



<sup>1</sup> Including share of joint ventures and associates.

\* Photo credit: Los Angeles World Airports.



# Resolute in our pursuit of excellence



**Charles Allen, Lord Allen of Kensington, CBE**  
Non-executive Group Chair

## Dear Shareholders,

I am pleased to report that the Group has continued to benefit from its market-leading positions and strong brand in a challenging economic and geopolitical environment. The Board is proud that Balfour Beatty has delivered another solid performance in 2023. As an international company, we remain vigilant to macro events, from geopolitical tensions in regions including Russia, Ukraine and the Middle East, to the ongoing issues of inflation, the rising cost of raw materials and energy, and the uncertainty that comes before the key elections we expect in 2024 in the UK and US: two of our three core markets.

Despite this uncertainty, Balfour Beatty has remained unwavering in its commitment to the fundamental principles that underpin our ongoing success: the health, safety and wellbeing of our people; diversity and inclusion, careful risk management, and an unyielding focus on innovation to drive productivity. These form part of Balfour Beatty's enduring commitment to sustainability for both the business itself and its impact on communities and the environment.

## Board composition

My priority is to ensure that the Board is comprised of an appropriate mix of expertise, experience, and external perspectives.

Following the 2024 AGM in May, Dr Stephen Billingham CBE and Stuart Doughty CMG will step down as non-executive Directors after nine-year tenures. I would like to share my sincere thanks and appreciation to them for their wisdom and clear-headed insights, which have been immensely valuable throughout a period of transformation for the Company. We wish them the very best for the future.

In December, we announced that Robert MacLeod has been appointed as a non-executive Director and member of the Audit and Risk Committee with effect from 8 March 2024. Robert will succeed Dr Stephen Billingham CBE as Chair of the Audit and Risk Committee following the 2024 AGM. He is an experienced CEO and CFO and brings strong strategic, financial, and commercial experience to the Board.

In January 2024, we announced that Gabrielle (Gabby) Costigan MBE has been appointed as a non-executive Director with effect from 8 March 2024. Gabby is an aeronautical engineer with a diverse international career spanning several executive positions including CEO as well as 21 years in the Australian Army. She will succeed Stuart Doughty CMG as Chair of the Safety and Sustainability Committee following the 2024 AGM.

Also in May, following the 2024 AGM, Anne Drinkwater, a non-executive Director since December 2018 will be appointed to succeed Dr Stephen Billingham CBE as Senior Independent Director.

I will be working closely with the Board and Executive team to ensure that the Parker Review requirements for the Board and senior leader ethnic minority representation recommendations across the Group by 2027 are considered in the actions taken at all stages of the employee lifecycle, from attraction through to recruitment and retention. Balfour Beatty's ambition is a workforce that reflects the population of our chosen geographies, and we remain committed to continuing our progress.

## Health, safety and wellbeing remains our number one priority

It is with great sadness that I report two fatalities on Balfour Beatty UK sites during 2023. On 27 April, a serious incident occurred at the HS2 (High Speed 2) Area North project, resulting in the tragic loss of a colleague working for one of our subcontractors. On 6 July, an incident at the AWE project in Aldermaston resulted in the loss of a colleague from Balfour Beatty Ground Engineering. Our heartfelt thoughts remain with their families, friends and colleagues.





## Taking the time to listen to different perspectives to drive improvements has been key for myself and the Board.”

These tragic events prompted a further forensic review of Balfour Beatty’s health and safety protocols, the creation of a new stored energy fatal risk working group and digitally assured processes to improve controls over safety-critical activities. We have also increased the emphasis on supervision and vigilance. We will continue to refresh training, adhering to the four Zero Harm Golden Rules, reporting close calls and good practice through our Observation App, and using the Employee Assistance Programme for support.

In September, Balfour Beatty paused operations for a dedicated Group-wide focus on smaller, informal, local ‘Let’s Talk’ sessions at each of its sites, encouraging discussions about local safety challenges, areas that are working well and making safety a personal commitment.

The Group’s Lost Time Injury Rate (LTIR), Accident Frequency Rate for 3-day and 7-day lost time injuries and major injury rates all dropped to record lows in 2023, a year which saw over 104 million hours worked across the Group. These positive indicators have been underpinned by a strong health and safety culture which has seen observations reach their highest number ever with almost 400,000 during 2023. As I referenced in last year’s report, a culture where our workforce is empowered to share observations means we are learning lessons, sharing best practice, gathering data, and improving the odds of preventing incidents or near misses in the future.

In an industry plagued by poor mental health, where the risk of suicide is amongst the highest of any sector, Balfour Beatty is committed to treating health like safety, and improving mental health standards across the industry. This mature and comprehensive approach was recognised at the 2023 Mates in Minds Impact Awards with Balfour Beatty securing the award for Best Overall Workplace Mental Health Programme. It also shone through in the annual employee engagement survey in which 94% of colleagues who responded to the survey said they felt cared for. We will continue to expand our efforts by investing in a proactive approach to address the root causes of poor mental health. This includes integrating psychological health and psycho-social risk factors into the Group’s fabric through policies, processes and operating systems.

### Continuing efforts to improve diversity and inclusion

Balfour Beatty is committed to cultivating a diverse and inclusive workplace. This focus is embodied in our Right to Respect programme. Rolled out across the UK in 2023 and undergoing a pilot phase in the US, the programme includes sessions to address inappropriate language and behaviour and foster positive workplace interactions.

In 2023, the UK Diversity & Inclusion strategy, Value Everyone, was refreshed, underscoring our determination to drive sustainable improvements, and set a clear pathway to meeting the business’ 2030 diversity targets.

Taking the time to listen to different perspectives to drive improvements has been key for myself and the Board. In September, as part of our National Inclusion Week activity, Leo Quinn hosted a listening leader event with some of the co-chairs of our five employee-led UK Affinity Networks: Ability, Gender, LGBTQ+, Multicultural and Neurodiversity. They naturally and rightly took the opportunity to tell it like it is – from the lack of adequate on-site toilet facilities to meet everyone’s needs, to ensuring we provide the right ‘tools’ to do the job, such as reading pens and colour film to support people with dyslexia. Their suggestions were practical and thoughtful and led to the roll-out of several initiatives such as strengthened standards to mandate sanitary products, sanitary bins and hand care facilities.

I followed up with our UK Affinity Network co-chairs in February 2024, and enjoyed hearing their personal stories and thoughts on how we could build on the improvements we have made to make a real difference on the ground. The LGBTQ+ network described the importance of showing visible leadership, drawing the link between the small but important actions we can take as leaders to help colleagues feel psychologically safe at work (meaning if they choose to, people can be open about who they are and who they love). I’m delighted to say that Balfour Beatty will be taking a bigger role in Pride in London in 2024, with a strong showing of colleagues joining the parade. Thank you to all the co-chairs, members and allies who lead and contribute to the success of our Affinity Networks across the UK, the US and Hong Kong. I know the time and effort it takes on top of the day job, but their passion and commitment to making Balfour Beatty an even greater place to work shines through.

Our Early Careers efforts are continuing to deliver positive progress in the diversity of hires, with 21% of UK graduates from a minority ethnic background and 25% female. Within Gammon, 17% of graduate engineers, and technician and craft apprentices, hired were female. In the US, 23% of summer interns and on-the-job trained colleagues were female and 42% were from a minority ethnic background. This infusion of apprentices, trainees, interns and graduates brings vital fresh talent and novel perspectives, helping to revitalise the industry and ultimately shape the future landscape of the sector.



ABOVE Charles’ site visit to the Royal Botanic Gardens in Scotland.



### Global competition for infrastructure talent continues to intensify

Skilled infrastructure and construction professionals continue to be increasingly attracted to markets including Saudi Arabia, Dubai, and Australia, not only due to substantial investments in infrastructure but also advantageous tax regimes. This situation poses challenges for us as a Group in sourcing the necessary capabilities, particularly in the UK market.

With people so important to our business, Balfour Beatty continues to invest in strengthening its position as an excellent employer to retain skills and develop its own local skills pipeline. In the UK energy market, we plan to triple our early careers workforce in 2024 to ensure we have a robust talent pipeline. Our advanced UK training centres in Stanton and Raynesway play a crucial role, providing training for 100 new workers and project engineers, as well as refresher and training courses for 350 colleagues every year.

Balfour Beatty has maintained its position as a Gold member and supporting patron of The 5% Club, a dynamic movement of close to 1000 employing businesses committed to 'earn and learn', with a record 7.4% of its UK workforce comprising apprentices, graduates, and trainees at December 2023.

### Employee engagement at an all-time high

Balfour Beatty's annual employee engagement survey is crucial for gaining insights into the satisfaction, motivation, and overall wellbeing of our colleagues, as these directly impact productivity, retention, and financial performance. The survey has led to tangible improvements, such as the new UK Recognition Framework, which encourages greater recognition of individual achievements that align to business priorities.

This year's engagement score reached 81%, rising for the sixth year in a row, 7 percentage points above an industry average. This annual survey not only gauges workforce perspectives but also fosters a culture where every individual feels heard, contributing to our success.

Balfour Beatty also won the 'Best Use of Voice of the Employee award' at the Engage Awards in the UK, for the My Contribution programme. My Contribution empowers every colleague to deliver positive change through sharing, evolving, and delivering ideas; bringing together experts from across the business to collaborate, innovate and problem solve, and ensuring that colleagues are invested in driving the business forward. In 2023 the 13,000th idea was submitted through the programme.

### Doubling down on sustainable profitable growth

Diversifying into new markets is a strategic imperative for Balfour Beatty to meet its ambitions for sustainable profitable growth. This proactive approach involves exploring opportunities in UK regulated sectors with private customers and partners to expand the Group's horizons in the energy market.

We are specifically focused on small modular nuclear reactors, traditional nuclear such as Sizewell C, Carbon Capture, Utilisation and Storage and offshore wind. Our Investments business entered the Electric Vehicle charging infrastructure market in 2023 with the formation of Urban Fox, a partnership with Urban Electric Networks. Our end-to-end capabilities position us well to capitalise on the market opportunities across the full spectrum of UK energy security and net zero transition infrastructure.

The UK defence and security infrastructure market, including the Defence Nuclear Enterprise, is another potential growth area for which Balfour Beatty has a strong track record of delivery and end-to-end capability in high-security complex environments.

In the US, new offices have been set up in high-growth areas within our established state footprints, to leverage the Group's reputation and expertise in low-risk buildings and civils markets. In US Investments we see potential growth in our work for the US Department of Defense including new military housing developments.

In Hong Kong and Singapore, we expect continued strong public infrastructure spend and stimulation of the local residential market with further growth in modular construction.

### Bridging the gap towards our sustainability ambitions

Balfour Beatty's commitment to sustainability entered a new phase in 2023 with the introduction of its Bridging the Gap approach. This new approach, supported by an enhanced Scope 3 carbon emission data set, is helping each business 'bridge the gap' between its current position and the contribution it makes to achieving Group-wide sustainability ambitions and targets for net zero, zero waste and positive community impact.

Balfour Beatty has worked hard to enhance its Scope 3 carbon emissions data set and now has a deeper understanding of its carbon emissions in the 'purchased, goods and services' Scope 3 category. This work has further clarified the scale of the challenge in what is one of the most carbon intensive industries. Building operations and construction account for c.40%<sup>1</sup> of global energy-related carbon emissions and in many areas proven technologies and low-carbon materials to support the transition to net zero do not currently exist.

In late 2023, the Company formally submitted Science Based Targets and a related carbon abatement plan aligned with the 1.5-degree limit global warming goal to the Science Based Targets initiative, which are awaiting validation in 2024. The Company will share an updated sustainability strategy later this year to reflect its deeper understanding of the landscape and the considerable progress it has made in its sustainability efforts.

#### BELOW

Charles' site visit with the Board to the Denver Transit Operators Contract in Colorado.







**ABOVE**  
Charles' site visit to the Hong Kong International Airport project.

In 2023, Balfour Beatty made strong progress across its three focus areas of environment, materials and communities achieving a 2% reduction in absolute carbon emissions<sup>2</sup>, a 40% reduction in UK waste intensity and a 15% increase in social value delivered across its business.

### Delivering a multi-year capital allocation framework

Balfour Beatty is in its fourth year of delivering shareholder returns from its multi-year capital allocation framework. With the completion of the 2023 share buyback programme in December, £595 million has been distributed to shareholders through share buybacks and dividends since the start of 2021. We are confident of delivering significant future capital returns, evidenced by the £100 million share buyback programme for 2024. The Board is also recommending a final dividend of 8.0 pence per share, giving a total dividend for the year of 11.5 pence per share.

### Looking ahead

As ever, I extend my sincere gratitude to Balfour Beatty's dedicated colleagues, steadfast partners, and committed stakeholders for their unwavering support. Balfour Beatty is resolute in its pursuit of excellence and innovation as it continues to successfully navigate its path through these challenging times and identify opportunities for further success.

Balfour Beatty eagerly looks to the future, aspiring to continue to shape the industry, lead transformative projects, drive sustainable solutions, leverage the productivity opportunities offered by digital technology

“  
**Balfour Beatty is resolute in its pursuit of excellence and innovation.”**

and AI, foster a culture of collaboration and diversity, and expand its footprint in attractive growth markets.

Balfour Beatty is well-positioned for sustained success, and we look forward to the exciting prospects that await us as we move further in to 2024 and beyond.

**Charles Allen**  
**Lord Allen of Kensington CBE**  
Non-executive Group Chair  
12 March 2024

## Section 172 statement

The Directors take their responsibilities to stakeholders very seriously. Throughout 2023, the Board reviewed existing engagement mechanisms across each of the Group's key stakeholder groups. The Board ensures all complementary and divergent stakeholder views are understood and embedded into Board discussions and the decision-making process. In addition to having regard to the interests of the Group's stakeholders, Directors also consider the impact of the Group's activities on the communities within which it operates, the environment, and the Group's reputation for high standards of business conduct.

The Directors seek to act in good faith in the way most likely to promote the long-term success of the Company for the benefit of its shareholders, and to act fairly between all of its stakeholders. Through the Board and the Board Committees, Directors have taken action to promote and support these objectives across the Group, details of which can be found throughout this Annual Report as set out here:

- › the Company's purpose, values and behaviours on pages 2 and 26;
- › a description of key stakeholder groups and how the Group has engaged with stakeholders on pages 28 to 31;
- › the range of activities undertaken across the Group relating to sustainability matters on pages 54 to 69;
- › details of how high standards of integrity are maintained on page 52;
- › the proactive and pragmatic approach of the Group toward risk on pages 91 to 103;
- › the framework of the Company's decision making on pages 130 to 133; and
- › details of the Company's governance processes and practice on pages 117 to 137.

1 Source: United Nations Environment Programme (2022). 2022 Global Status Report for Buildings and Construction: Towards a Zero-emission, Efficient and Resilient Buildings and Construction Sector. Nairobi. [www.globalabc.org](http://www.globalabc.org).

2 Market-based emissions.

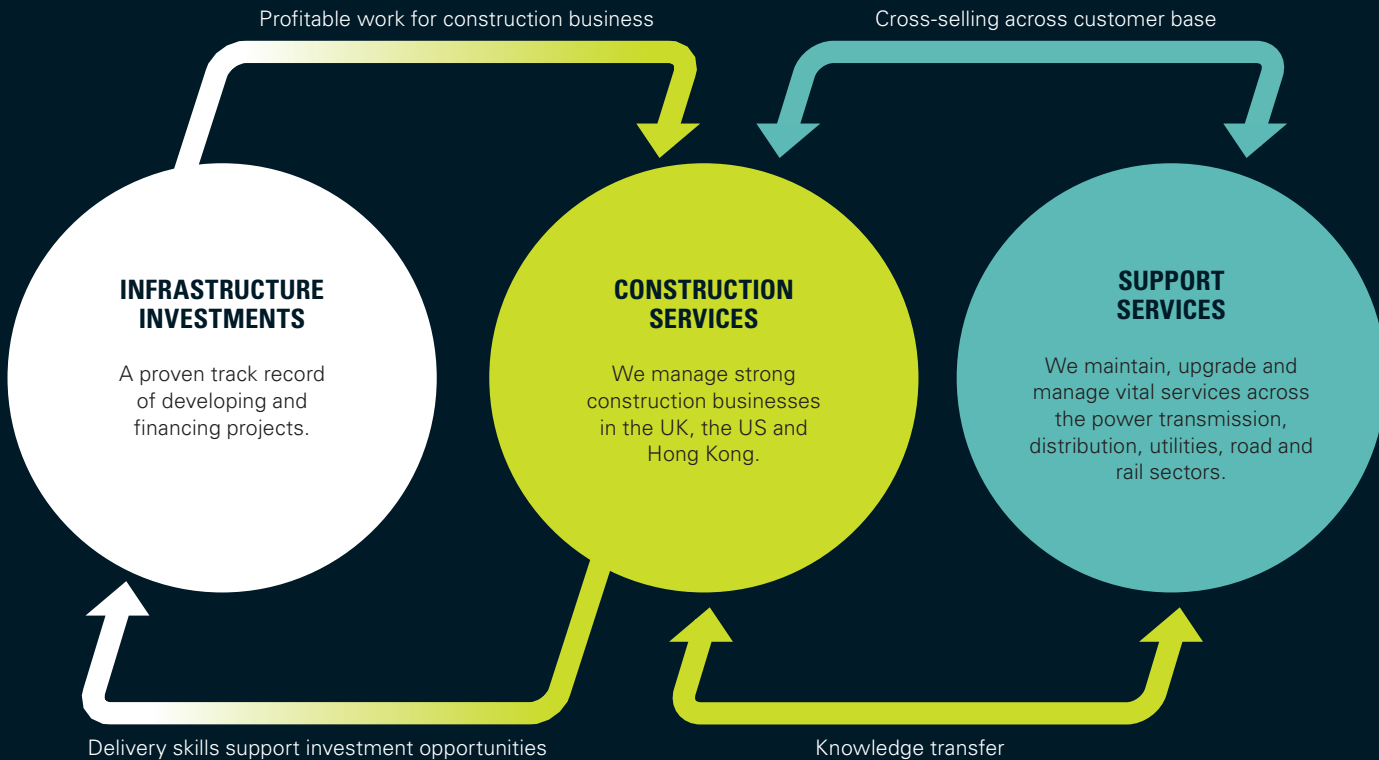


# Delivering sustainable growth

The Group is well positioned to ensure high-quality outcomes for all its stakeholders by operating in attractive markets, leveraging synergies between its Business Units and continuing to focus on world-class delivery.

## How our Group works together

Multi-disciplinary collaboration is core to Balfour Beatty's identity; our Construction Services, Support Services and Infrastructure Investments teams work closely together to ensure high-quality outcomes for our stakeholders.





# Why our customers choose us



## BUILD TO LAST VALUES

Balfour Beatty has built an industry-leading brand on its reputation as a partner that is Lean, Expert, Trusted, Safe and Sustainable – our five Build to Last values.



## WORLD-CLASS TRACK RECORD

With over 115 years of experience successfully delivering transformational infrastructure projects, Balfour Beatty has cultivated a strong track record of quality and reliability.



## EXPERT PEOPLE

Our engineering and project management expertise allows us to deliver complex, one-of-a-kind projects and has made Balfour Beatty a trusted construction partner for the public and private sector alike.



## FINANCIAL STABILITY

Balfour Beatty's strong balance sheet is a testament to strong governance. It gives customers confidence in the Group's ability to deliver, and that Balfour Beatty is here for the long term.



## SUSTAINABLE FOCUS

Balfour Beatty takes its responsibility as a custodian of the planet seriously and seeks to leave a positive legacy in the communities it works in.

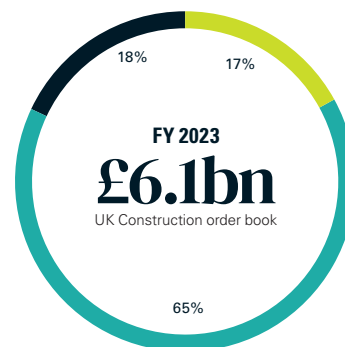
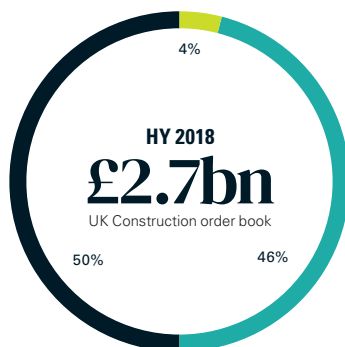


## INNOVATION

Innovation is part of the Balfour Beatty culture, harnessing the power of digital and cutting-edge technology to drive productivity and redefine the possible.

## Reducing risk in our order book

As part of our Build to Last strategy, Balfour Beatty has strengthened its governance, focusing on reducing risk in its order book by selectively bidding for work it is best placed to deliver on terms that are attractive to the Group. This reduction has been most noticeable in the UK Construction business, where the proportion of fixed-price work in the order book has fallen to 18% at the end of 2023.



### HY 2018

4%

46%

50%

### FY 2023

17%

65%

18%

● Cost plus

● Target cost

● Fixed price



# A strong and well-positioned Group

## Full year Group expectations achieved

Balfour Beatty's solid performance in 2023 resulted in the Group delivering underlying profit from operations (PFO) from the earnings-based businesses (Construction Services and Support Services) of £236 million, incrementally ahead of the prior year (2022: £232 million). As expected, the Group's underlying profit for the year reduced to £205 million (2022: £290 million) as gains on investment disposals reduced as planned and the £56 million tax credit relating to the recognition of additional UK tax losses in 2022 did not repeat. Capital expenditure doubled in the year as the Group invested to support growth, and £208 million of cash was returned to shareholders (2022: £208 million) through a combination of dividends and share buybacks. Average net cash<sup>1</sup> reduced as expected to £700 million compared to £804 million in 2022.

## Resilient portfolio delivering stability

Balfour Beatty demonstrated the importance of its geographical and operational diversity in 2023, by delivering an overall improvement in underlying financial results from its earnings-based businesses during challenging economic conditions. The results were a further proof point in the strategy to reduce Balfour Beatty's risk profile, with the Group focusing on opportunities which utilise its end-to-end capabilities and large-infrastructure project experience, as well as only contracting on terms consistent with our disciplined risk framework.

The underlying PFO from Construction Services increased in 2023 by 5%. UK Construction continued to improve project delivery, making further progress with its ambition to move towards the top of the 2-3% UK industry standard margin target range, Gammon achieved strong margins while growing revenue and US Construction profitability reduced due to the cost of delays at a small number of civils projects. Support Services had another successful year, delivering at the top of its 6-8% margin target range, and Infrastructure Investments achieved its disposal targets. The Directors' valuation of the Investments portfolio decreased by 6% due to foreign exchange movements and an increase in discount rates.



**Leo Quinn**  
Group Chief Executive



## Orders continue with improved second half

The Group's 2023 year end order book remains significant at £16.5 billion, which is 5% lower than 2022 or 2% lower at constant exchange rates. Both the UK Construction and US Construction order books have remained flat on a local currency basis, which is encouraging given the high interest rate environment faced by customers throughout 2023. The second half of the year showed a clear improvement in orders compared to the first half as interest rates in both markets stabilised. In the UK, the proportion of the order book signed on lower risk target-cost or cost-plus contracts compared to higher risk fixed-price contracts remained high at 82%. In the US, where work is predominantly contracted on a fixed-price basis, the Group ensures early issuing of subcontracts for buildings jobs and insurance of the supply chain in order to protect its margin.

The order book for Gammon has reduced in the year, driven by the acceleration of major airport project activity in Hong Kong and lower order intake, and Support Services backlog has grown following the addition of significant road maintenance contracts. Beyond the reported order book, Balfour Beatty has been selected as one of ten preferred bidders on SSN Transmission's c.£10 billion Accelerated Strategic Transmission Investment (ASTI) framework, with early works for nine projects underway, and the Group's awarded but not contracted position remains high, having added notable airport and major road awards in 2023.

## Infrastructure disposals completed above Directors' valuation

The Directors' valuation of the Infrastructure Investments portfolio has reduced to £1.2 billion in 2023 (2022: £1.3 billion), due equally to a weakening of the US dollar against sterling and an increase in discount rates given the interest rate environment and market data. The other usual changes to the valuation, including the equity invested, cash yield received, unwind of discounting, asset disposals and operational performance all largely offset.

The two asset disposals completed in the year were sold at above the Directors' valuation and contributed proceeds of £61 million and a gain on disposals of £26 million. The Group continues to invest in new opportunities (targeting a minimum 2x end-to-end multiple) whilst optimising value through the disposal of further operational assets.

## Growth opportunities in chosen markets

The principal markets in which Balfour Beatty operates are showing signs of continued

growth backed by government supported spending that prioritises modern and reliable infrastructure to support economic growth and help tackle climate change. In the UK, the requirement for clean and domestically generated energy is a priority for both the incumbent Conservative party and Labour opposition and Balfour Beatty is targeting opportunities on both the supply and demand sides of the energy equation. On supply, steep growth in the volume of UK power transmission and distribution projects will begin in 2025, with an acceleration of work to strengthen and stabilise the power networks, while nuclear, wind, carbon capture and hydrogen projects continue to develop. On the demand side, given the Group's involvement in HS2, construction of greener railways is a large part of the Group's UK operations today and the importance of continued investment in the transport sector is evident for both political parties. Balfour Beatty has also identified the UK defence and security infrastructure industry as a growth area, as the Group's capabilities align well to market opportunities, including projects with close adjacencies to the work delivered by the Group for civil nuclear.

In the US, the Group's buildings operations are focused primarily on specific, high growth regions. These areas are population hubs with growth and migration projected to continue driving increased investment, particularly in transportation and social infrastructure. The stabilisation of interest rates and reduced inflation have released some pressure on the commercial office sector, while other market segments targeted by the Group, such as aviation, leisure, education and federal, remain strong. In Hong Kong, the Government's pipeline of

infrastructure projects continues to grow, with further major works announced to increase connectivity within the Greater Bay Area, aligned to plans to develop the Northern Metropolis.

## Retention and investment in capability vital for meeting future demand

Now more than ever, Balfour Beatty is focused on making sure the right people, culture, policies and procedures are in place to enable sustainable business performance; prioritising attention on developing an environment where all employees can perform, grow personally and enjoy coming to work. The Group operates in markets where there can be tough competition for the best people; therefore, this is critical to enable the retention and development of talented experts and attract and recruit the diverse skills and experiences that the business needs to deliver today and for the future.

The annual employee engagement survey remains the key tool for the Group to gauge how well it is performing in this space and the 2023 results showed an improvement for the sixth consecutive year. Overall employee engagement increased to 81% (2022: 80%). Compared to peers, Balfour Beatty was 7 percentage points above an industry average and 8 percentage points above companies of a similar size. Aligned to the strong survey results, the Group's retention rates improved in 2023.

## 2023 PERFORMANCE

### Delivered expectations in 2023

- › Incremental profit growth from earnings-based businesses
- › Resilience demonstrated in challenging macro environment

### 2024 growth underpinned by order book

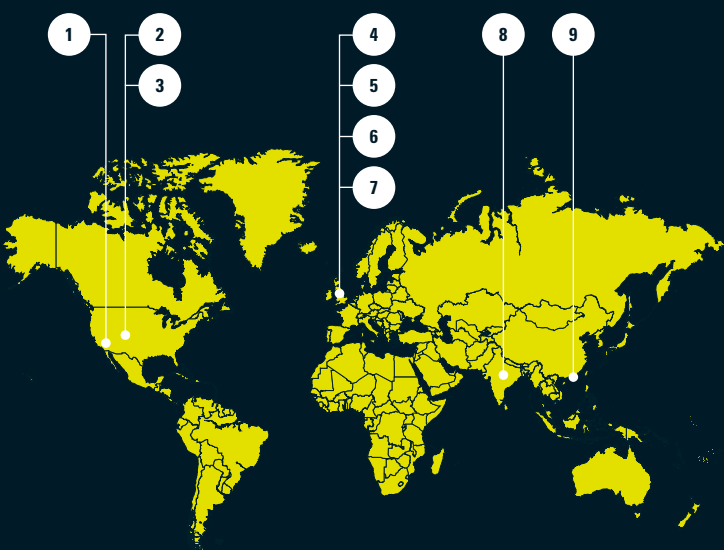
- › Increased profitability in earnings-based businesses
- › Growth accelerating from 2025

### Significant shareholder returns

- › Strong balance sheet and consistent cash flow
- › Total shareholder returns of c.£160 million in 2024

## Growth and attractive total shareholder returns

1 Excluding non-recourse net borrowings, which comprise cash and debt ringfenced within certain infrastructure investments project companies, and lease liabilities.



A SELECTION OF PHOTOS FROM LEO'S VISITS IN 2023

- 1. Los Angeles Airport Automated People Mover, US
- 2. Denver Transit Operators Contract, Colorado, US
- 3. Fort Carson Family Housing, Colorado, US
- 4. Realising our Ambition: an integrated supply chain event, London, UK
- 5. Hinkley Point C, Somerset, UK
- 6. Peterhead substation, Scotland, UK
- 7. M25 Junction 10/A3 Wisley interchange scheme, Surrey, UK
- 8. Engineering Design Centre, Bangalore, India
- 9. Hong Kong International Airport



## The Group's longer-term outlook remains positive and the growth forecast in 2025 and beyond is driven by the opportunities in the energy, transport and defence sectors in the UK and the Group's chosen buildings sectors in the US."

### Retention and investment in capability vital for meeting future demand continued

The challenge of attracting talent into construction is industry-wide and Balfour Beatty, with its size and prominence, can lead the market with its innovation. The Group has diversified its hiring channels in 2023, with increased recruitment from talent pools including military talent, ex-offenders and those from underprivileged backgrounds, while it also continues with its commitment to train the next generation of employees. At year-end, 7.4% of the UK workforce were apprentices, graduates and sponsored students in 'earn and learn' positions, exceeding both The 5% Club's base target and overall average.

### Further work required in journey to Zero Harm

It is a matter of deep regret that two colleagues have tragically lost their lives in 2023. The Company offers its deepest sympathy and support to their family, friends and co-workers. To ensure that lessons are learnt from these events, and with both fatalities being caused in part by stored energy, Balfour Beatty has established a new Stored Energy Fatal Risk Working Group and is designing digitally-assured processes to improve controls over such safety-critical activities.

The Group remains determined that all colleagues who walk onto a Balfour Beatty site should return home safe and well. While the Group's lagging indicators of lost time injury rate and accident frequency rate have improved in 2023, the two fatalities make evident to all the importance of maintaining focus on health and safety. As such, it is encouraging to see voluntary safety observations increasing to nearly 400,000 in 2023 and proactive programmes having an impact on site. In 2023 these included a Slips, Trips and Falls focus in the UK, which reduced these types of incidents by 33%, and the second year of the What3Things? conversations, which have focused on a back to basics approach.

Balfour Beatty is committed to being an innovative leader in the world of health and safety and launched a programme of digital safety initiatives in 2023, which target improvements in not only the safety of the Group's construction sites, but also productivity and assurance.

### Next steps in sustainability journey

Balfour Beatty's sustainability strategy, Building New Futures, was launched in 2020 to improve the Group's approach to environment, materials and communities by setting firm 2030 targets and longer-term ambitions for 2040. The 2030 targets set were the achievement of a science-based carbon reduction target, a 40% reduction in waste generated and the delivery of £3 billion in social value. It also outlines the Group's 2040 ambitions to go Beyond Net Zero Carbon, to Generate Zero Waste and to Positively Impact More than 1 Million People. In the year, the UK business delivered £936 million of social value and achieved a 40% reduction in tonnes of waste generated per £million revenue compared to the restated 2021 baseline. The Group also achieved a 2% absolute reduction and a 7% intensity reduction in Scope 1 and 2 greenhouse gas (GHG) emissions.

In 2023, the Group launched its Bridging the Gap action plan, which is designed to help colleagues focus their efforts on initiatives that will have the biggest impact in delivering Balfour Beatty's targets and ambitions. By adopting a uniform approach, Bridging the Gap will also support best practice and encourage greater collaboration across the organisation whilst setting out minimum expectations of sustainable leadership, carbon, materials, communities and biodiversity.

In late 2023, Balfour Beatty formally submitted Science Based Targets and a related carbon abatement plan, aligned with the 1.5°C global warming limit. The Group's submission is awaiting validation by the Science Based Targets initiative in 2024.

### Dividend growth and further share buybacks

The Group's capital allocation framework has been in place since 2021, facilitating the delivery of attractive shareholder returns, while ensuring the appropriate balance between investment in the business, and a strong capital position. When considering the strength of the Group's order book and balance sheet with the depth of opportunities in its chosen markets, Balfour Beatty is confident of continuing to deliver significant future shareholder returns. As such, the Board

is today recommending a final dividend of 8.0 pence per share (2022: 7.0 pence), giving a total recommended dividend for the year of 11.5 pence per share (2022: 10.5 pence). Additionally, the Company intends to repurchase £100 million of shares during the 2024 phase of its multi-year share buyback programme, bringing the cumulative return to shareholders since the introduction in 2021 of the multi-year capital allocation framework to over £750 million.

The total cash return to shareholders in 2024 (including the final 2023 dividend and 2024 interim dividend) is therefore expected to be c.£160 million.

### Outlook

The Board expects an increase in PFO from its earnings-based businesses in 2024, with growth accelerating in 2025.

Infrastructure Investments is expected to continue to deliver attractive end-to-end returns from its recurring income, by divesting assets and making new investments in line with the Group's capital allocation framework. For 2024, gains on investment disposals are expected in the range of £20 – £30 million.

The Board expects net finance income of around £30 million for 2024 and for the effective tax rates in each of the three geographies to remain close to statutory rates, albeit with cash tax payments in the UK remaining below statutory levels in the medium term as losses are utilised. Capital expenditure in 2024 is expected to return closer to pre-2023 levels of around £35 million and the Group's average cash in 2024 is expected to be roughly in line with 2023.

The Group's longer-term outlook remains positive and the growth forecast in 2025 and beyond is driven by the opportunities in the energy, transport and defence sectors in the UK and the Group's chosen buildings sectors in the US. This gives the Board confidence in Balfour Beatty's continued ability to deliver profitable managed growth and sustainable cash generation, and in turn significant ongoing shareholder returns.

**Leo Quinn**  
Group Chief Executive

12 March 2024





# Strength in our chosen markets

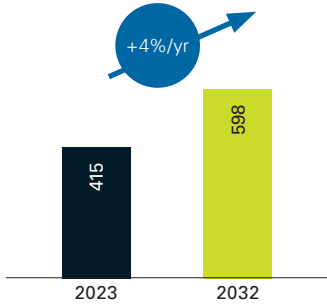
The principal markets in which Balfour Beatty operates are showing signs of continued growth backed by government supported spending that prioritises modern and reliable infrastructure to support economic growth and help tackle climate change.

## Our chosen markets

### CONSTRUCTION SPENDING

#### UNITED KINGDOM

£bn, nominal



#### Sustained public investment in UK infrastructure

Public investment in UK infrastructure remains robust averaging £20 billion over the last decade with government commitment to increase this to £30 billion per year for 2022–23 to 2024–25 at the last spending review.

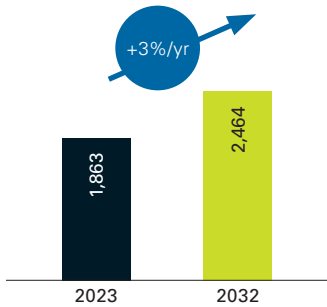
This level of investment is expected to continue as the role of infrastructure becomes more prominent in helping the UK meet key strategic challenges including energy security, productivity improvement and climate change resilience.

To meet these challenges, the National Infrastructure Commission has estimated that public spending on economic infrastructure should be maintained at 1.3% of GDP.

FIND OUT MORE p18

#### UNITED STATES

US\$bn, nominal



#### Federal funds flowing into US non-residential projects

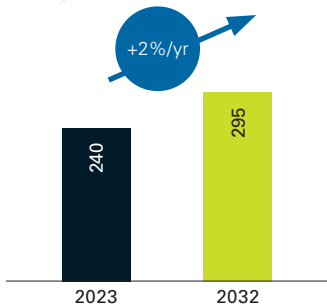
In the US, non-residential construction spending growth remains positive associated with a boost to manufacturing, transportation and clean energy infrastructure as funds from three key pieces of legislation passed in 2021 and 2022 – the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act – are expected to flow into the industry.

Substantial infrastructure investments from state and local governments are likely to drive growth as they look to make the most of federal spending programmes and loan initiatives.

FIND OUT MORE p20

#### HONG KONG

HK\$bn, nominal



#### Buoyant pipeline in Hong Kong

In Hong Kong, construction spending is expected to range between HK\$240 billion and HK\$300 billion per year for the next 10 years. Public spending has consistently been maintained at above HK\$100 billion per year and is expected to reach up to HK\$200 billion by 2027.

There are high levels of investment in major infrastructure projects that will bring the development of additional land, creating significant development opportunities for both the public and private sectors.

Source: S&P Global Market Intelligence, Construction Industry Council, Hong Kong.

FIND OUT MORE p22

## Market drivers



### DEMOGRAPHIC SHIFTS DRIVING INFRASTRUCTURE ENHANCEMENTS

Our markets are witnessing population growth, especially in urban areas. This trend demands upgraded transportation networks, expanded housing and enhanced utilities to accommodate the increasing population density. At the same time ageing populations increase the demand for healthcare facilities and diverse accessibility needs.



### AGEING INFRASTRUCTURE INCREASING REPAIR AND MAINTENANCE VOLUMES

In the UK and US, many elements of the infrastructure systems were built decades ago and are reaching the end of their intended lifespans requiring significant attention and investment. For example, the American Society of Civil Engineers consistently grades the US infrastructure at a grade below satisfactory and 57% of the UK's Strategic Road Network (SRN) was built before 1980.



### RECORD CAPITAL INVESTMENT IN ENERGY INFRASTRUCTURE

Capital investment in energy infrastructure will increase significantly in the next three decades to enable the transition to more electrified power systems. In the UK, average annual capital expenditure is expected to increase 25–30% per decade to a peak of £32 billion per year. In the US, the Inflation Reduction Act has allocated almost US\$400 billion in funding to clean energy.



### INVESTMENT IN INFRASTRUCTURE RESILIENCE TO DELIVER SOCIETAL NEEDS

Infrastructure reliability is threatened by environmental risk and there is a need to ensure infrastructure assets are resilient to future challenges including environmental threats. To achieve this, spending on enhancements and the construction of spare capacity for critical infrastructure are key to ensure existing assets can withstand shocks.



### OPPORTUNITY TO UNLOCK NEW VALUE BY LEVERAGING DIGITALISATION AND AI

Across engineering and construction, there are meaningful ways to integrate technology to drive better performance. Through the adoption of new technologies into business processes, such as Building Information Modelling (BIM), robotics, and exploring applications of emerging technologies, including generative AI, the opportunity for cost and schedule efficiency gains increases.



### STRENGTH IN PUBLIC AND INFRASTRUCTURE SPENDING

Infrastructure plays a crucial role in the economy and is widely considered an important determinant of productivity and, therefore, economic growth. In the UK and US, infrastructure continues to be a source of fiscal stimulus for governments and funds are expected to flow into projects aimed at upgrading traditional infrastructure and accelerating energy transition.



**IMAGE**  
Our Hinkley Point C Marine and Tunnelling works project in Somerset is an example of infrastructure investment to accelerate the UK's energy transition.



## Market drivers continued



### CHANGING TRANSPORTATION NEEDS REQUIRING SYSTEM UPGRADES

Increased congestion, a need to reduce carbon emissions, and altered commuting patterns are creating a growing emphasis on sustainable and efficient transportation. To meet these changing mobility needs, investments are being made in public transportation, electric vehicle infrastructure, bike lanes and pedestrian-friendly infrastructure. This is coupled with stable spending to maintain, repair and upgrade ageing transportation systems.



### INCREASED PARTNERING WITH GOVERNMENTS AND REGULATORS

Balfour Beatty increasingly works collaboratively to develop mutually beneficial models of working to share risk and upside appropriately. Via the UK Government's Construction Playbook, the Group can assist government, as a customer, to create better outcomes on issues such as risk allocation, whole-life cost optimisation and social value. In the US, there has been a growing trend of public-private partnerships (PPPs) to accelerate delivery and better manage risk.



### POLICY SHIFTS AND MARKET DEMAND FOR SUSTAINABLE CONSTRUCTION PRACTICES

Construction activities have a significant environmental footprint. As stricter regulations and standards are enacted and customers place growing importance on environmental performance, the adoption of sustainable practices that aim to reduce waste, conserve resources and use eco-friendly materials and technologies become critical to comply with regulations and create more resilient assets.

## MANAGING INFLATION RISK

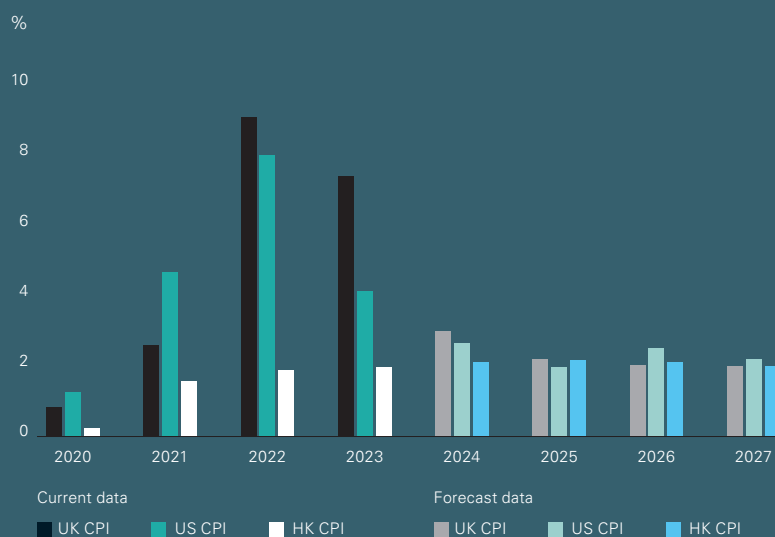
Whilst general inflationary pressure in Balfour Beatty's core markets is expected to reduce the actual pressure on the business is more complex and determined by price trends for specific input costs.

Balfour Beatty manages inflationary risks through target-cost and cost-plus contracts and by ensuring contractual terms are replicated through its supply chain in the case of fixed-price contracts.

The Group is selective in its bids to ensure it is best placed to deliver the projects it takes on and that the terms of the contracts are suitable.

Over the years, this approach has lowered the risk in Balfour Beatty's order book and the Group will continue to monitor and manage inflation risk in a similar fashion.

## CONSUMER PRICE INDEX (CPI) INFLATION RATE FORECAST 2020–2027



Source: S&P Global Market Intelligence.

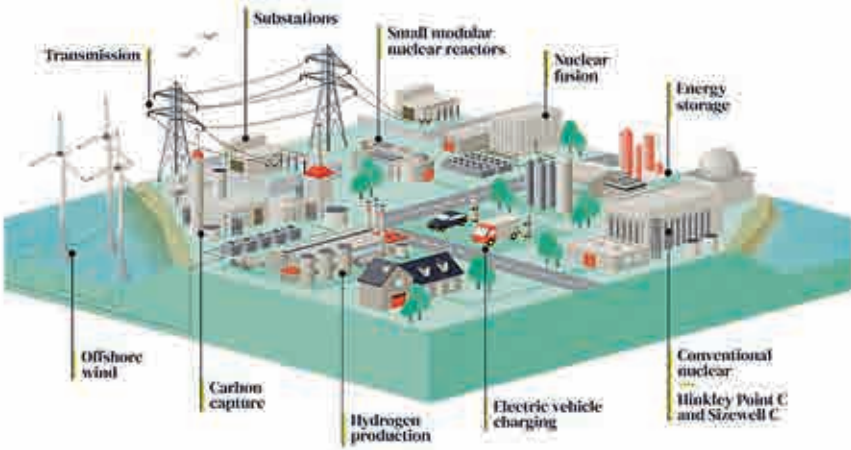


# UK Construction and Support Services: strong growth prospects

**Balfour Beatty is the UK's largest construction and infrastructure provider, collaborating with its customers to develop cutting-edge solutions to meet the challenges of tomorrow.**

## UK energy infrastructure momentum

The UK has legislated to achieve a 78% reduction in emissions by 2035 compared to 1990 levels. Reaching this target requires significant capital investment in the UK's energy infrastructure to transition to a more sustainable and circular economy and society. The energy transition is attracting policy support and funding and that is creating exciting opportunities in energy infrastructure where the Group's capabilities are strong.



### UK Government commitments

- > **£20 billion** of funding for early deployment of Carbon Capture, Usage and Storage
- > **£20 billion** of Great British Nuclear funding for small modular reactors
- > **£20 billion** of Ofgem funding to deliver strategic electricity transmission network upgrades
- > **£1.3 billion** of further Government funding confirmed for Sizewell C preparatory works

## Connecting cleaner, low-carbon power

Balfour Beatty's unique end-to-end capabilities perfectly position it to capitalise on the emerging UK energy market opportunities and deliver the critical national infrastructure required for the UK to achieve Net Zero by 2050.

The Scottish and Southern Electricity Networks (SSEN) Accelerated Strategic Transmission Investment (ASTI) framework creates significant opportunities for the Group in supporting the upgrade and expansion of the UK electricity grid to meet future needs.

### Cabling, substations and overhead lines

**Recent momentum**  
In 2023, Balfour Beatty was selected as one of 10 preferred bidders for SSEN's Accelerated Strategic Transmission Investment (ASTI) framework. Since then, we have started detailed design on nine projects.

**Balfour Beatty capabilities**

- > Environmental, ecological and consenting work
- > Design and pre-construction planning
- > Site enabling works and logistics
- > Overhead lines, underground cables and substations
- > Ground engineering and bulk earthworks
- > Heavy civil engineering and tunnelling
- > Mechanical and electrical engineering construction
- > Road and rail construction
- > Steel fabrication, offsite manufacture and modularisation
- > Construction plant services



**ASTI FRAMEWORK:**  
**c.£10bn**  
SSEN

## UK Construction and Support Services sector drivers

### ENERGY INFRASTRUCTURE RAMPING UP

The energy infrastructure market will see a wide range of large-scale projects coming to market to enable the UK to address the growing demand for clean and secure energy. This will include the construction of new clean energy generation capacity, underpinned by multi-billion pound government commitments for carbon capture, hydrogen production and small modular reactors, alongside capacity additions to the UK's conventional nuclear fleet, including Sizewell C, to complement the increase in variable energy sources in the electricity generation mix.

### ACCELERATING ELECTRICITY TRANSMISSION

Expanding and upgrading the existing electricity grid is essential for future energy demands including rising electricity demand, the integration of renewable energy sources like wind and solar and enhancing energy efficiency. This is creating a strong pipeline of opportunities through RII0-T and RII0-ED2, as well as SSEN's Pathway to Net Zero framework and National Grid's Great Grid Upgrade programme. These frameworks will see significant investment until 2030 to support the UK's net zero goals under Ofgem's £20 billion ASTI funding.

### BOLSTERING NATIONAL SECURITY ASSETS

UK defence spending is expected to continue at its historical levels of 2% of GDP and increasing geopolitical tensions have reinforced the UK Government's desire to maintain its nuclear deterrent, but as elements of its infrastructure systems are reaching the end of their intended lifespans, they require significant attention and investment. Meanwhile, the UK's increasing reliance on digital infrastructure and the growing risk of cyber-attacks are prompting greater investment to bolster intelligence and cyber capabilities including the new National Cyber Force campus.

### STABLE HIGHWAYS AND ROAD FUNDING

The £24 billion Road Investment Strategy (RIS) 2 scheme running to 2025 continues to drive investment in the sector. Several schemes under RIS2 have been deferred to RIS3, providing an ongoing baseload of enhancement projects in the future. Investment in local road and highways maintenance is underpinned by the Department for Transport's (DfT) funding allocation of £2.7 billion between 2022 and 2025. In 2023, the DfT announced a further £8.3 billion of funding over the next 10 years for local road surfacing and wider maintenance activities.

### RESILIENT RAIL PIPELINE

Network Rail's Control Period 7 will drive investment in Britain's rail network to 2029. A total of £43.1 billion, approved by the Office of Rail and Road, will be invested over the next five-year period and includes schemes covering both construction and maintenance projects. Although the HS2 leg to Manchester was cancelled by the UK Government, £36 billion will be redirected to rail and other transport projects across the Midlands and the North of England, including the Transpennine Route Upgrade and other upgrade works awarded through the Central Rail Systems Alliance, which create more immediate opportunities for the Group.

### INCREASING NEED FOR FLOOD RESILIENCE

Extreme weather events as a result of a changing climate increase the risk of flooding of homes and critical national infrastructure. The National Audit Office found 189,000 properties at risk in 2020 against a target of 49,000, driving the need for upgrades and expansion of the infrastructure. The Department for Environment, Food and Rural Affairs (Defra) will invest £5.2 billion in the period from 2021 to 2027, to upgrade and expand flood and coastal defences to reduce flood risk.



### POWERING UP BRITAIN

With over a century of experience in the energy sector, Balfour Beatty stands ready to deliver the infrastructure needed for the energy revolution.

We're investing in the UK, leveraging our international experience and local knowledge, ready to mobilise thousands of experts to combat climate change and ensure the nation's energy security to power up Britain.



SCAN OR CLICK TO LEARN MORE ABOUT OUR UNMATCHED ENERGY CAPABILITY



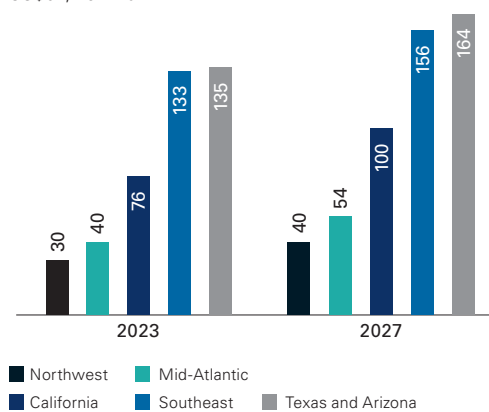


# US Construction: investing in geographic expansion

Balfour Beatty invests in and builds the structures and infrastructure that enhance how people live, work, learn and play.

## Construction spending

US\$bn, nominal



### Construction spending in Balfour Beatty's chosen states is estimated to outpace the national outlook

Despite the recent challenging environment in commercial buildings and single-family housing, the medium-term outlook remains positive as federal funding flows to state and local government levels.

The Group's regions are expected to experience strong growth in their traditional non-residential buildings segments and public sector buildings, multifamily housing and education all expected to reach strong growth.

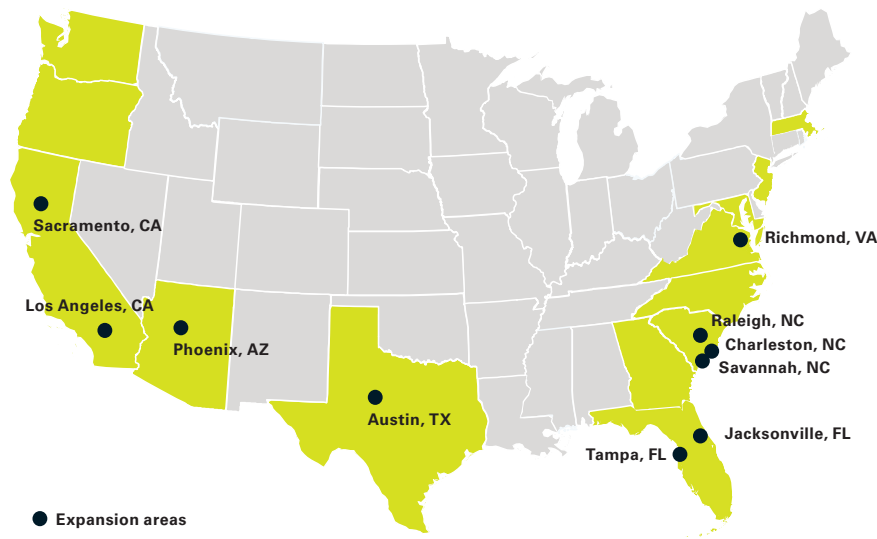
The transportation sector will benefit from fiscal stimulus via the Infrastructure Investment and Jobs Act and the Inflation Reduction Act.

Meanwhile, the CHIPS Act is catalysing growth in new sectors that creates opportunities for expansion.

Source: Dodge Construction Central.

## Continued growth anticipated in our chosen states

Balfour Beatty's US operations are focused primarily on specific, high growth regions known internally as 'The Southern Smile'. This starts in the Pacific Northwest and runs through California, Texas, Florida and up through Georgia and the Carolinas to Washington, D.C. These areas are population hubs with growth and migration projected to continue driving increased investment, particularly in transportation and social infrastructure.



### Why these areas

- > **Strong delivery and outlook** in the Southeast and California
- > **Favourable federal order book** that includes the District of Columbia, Maryland, Virginia and California
- > Adjacent markets with **favourable growth demographics**
- > **Airport awards** in Jacksonville, Sacramento and Raleigh

## US Construction sector drivers

### HISTORIC INVESTMENT IN TRANSPORTATION

US transportation investment is expected to reach US\$71 billion in 2024, as federal programmes aim to modernise and improve the country's transportation networks. Highways investment is forecast to grow by US\$11 billion in 2024 due to stable input prices, new awards and more projects starting. Airport infrastructure requirements are expanding, with an estimated US\$150 billion in spending needs from 2023 to 2027, as projected by the Airports Council International, to accommodate increasing cargo and passenger volumes. Rail investment is also on the rise to support the growing freight rail activity associated with a thriving manufacturing construction market, with Amtrak committing up to US\$32 billion from 2024 to 2026.

### OFFICE RENOVATION AND DATA CENTRE GROWTH

As vacancies rise and lending standards tighten, traditional office construction faces challenges. Consequently, renovation activity is expected to surge as employers aim to bring staff back to the office and companies seek to renovate or repurpose office space. Additionally, investment in data centre construction and upgrades is anticipated to support technology's increased processing demands, offering opportunities to pivot into growth sectors.

### STEADY HOSPITALITY AND LEISURE GROWTH

While some headwinds related to unfavourable borrowing conditions remain, increased consumer sentiment is leading to greater demand for hospitality and leisure in major cities. The US hotel construction pipeline continues to grow at a steady pace, up 7% year on year by projects and rooms. In Balfour Beatty's chosen states annual expenditure is expected to rise from US\$14 billion in 2023 to US\$25 billion in 2027. Dallas and Phoenix rank in the top five US cities for the largest hotel construction pipelines by project.

### DEMOGRAPHIC TRENDS DRIVING HEALTHCARE AND EDUCATION INVESTMENT

Demographic trends mean investment in healthcare and education remains a priority. In Balfour Beatty's chosen states, healthcare and education construction spending is expected to rise to US\$26 billion and US\$55 billion per year by 2027, respectively. An ageing and growing population is driving a need for large hospital expansions and increased demand for outpatient and speciality care, whilst maintenance needs and recent demographic shifts continue to drive K-12 construction spending growth.

### SUSTAINED MULTIFAMILY HOUSING DEMAND

Multifamily housing plays a crucial role in bolstering housing availability and development has been at historic highs with 980,000 multifamily units expected to come online in the next several quarters. Although demand is expected to taper off this peak due to potential oversupply resulting in rising vacancies and declining rental rates, demand is expected to remain at an elevated level due to an ongoing shortage of housing and a need for more affordable housing particularly in densely populated metropolitan areas.

### OPPORTUNITIES IN GOVERNMENT PROJECTS

As various government agencies are readying for replacement facilities and rehabilitation or repurpose projects, large government spending programmes for shovel-ready projects that are within Balfour Beatty's expertise are being released. The federal buildings sector is expected to increase to reach US\$9.6 billion by 2027 in Balfour Beatty's chosen states.

### CONSTRUCTION BEGINS ON THE KNOX STREET DEVELOPMENT

In December, Balfour Beatty, in joint venture with ANDRES Construction Services, started construction on the Knox Street mixed-use development in Dallas, Texas.

The joint venture will provide construction services to deliver a total of one million square feet of world-class mixed-use space sitting on a four-acre site adjacent to the iconic Katy Trail and neighbouring town of Highland Park.

Balfour Beatty's Texas operation is known for its expertise in the delivery of notable projects in the Dallas neighbourhood including Park District, the Perot Museum of Nature and Science, the Atelier and the Omni Convention Center and Hotel.

“  
**Balfour Beatty is honoured to bring this unique and transformational mixed-use development to life in Dallas. We are experts in providing world-class office, hotel and residential spaces and we look forward to working with our client and industry partners to deliver another exceptional project in our community.**”



**Pleas Mitchell**  
 President – Texas/Arizona  
 Balfour Beatty


AT THE BEATING HEART

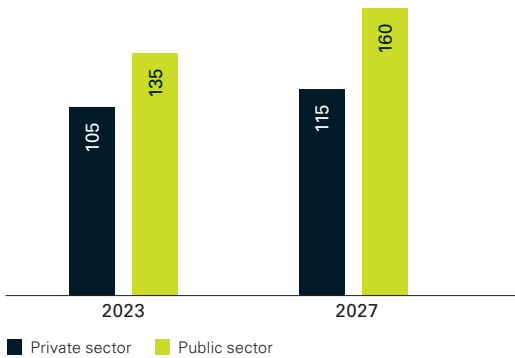


# Gammon: strong position in a buoyant market

For over 65 years, Gammon, our joint venture with Jardine Matheson, has forged a reputation for delivering high-quality projects throughout Southeast Asia.

## Hong Kong construction spending

HK\$bn, nominal



Source: Construction Industry Council, Hong Kong.

### Hong Kong

The current pipeline of infrastructure projects is driven by the Hong Kong Government's drive to increase connectivity within the Greater Bay Area, as it announced three new strategic railways and three new major roads. It identified the Northern Metropolis as a new engine for future development and is exploring the benefits of developing the Kau Yi Chau artificial islands as a third central business district.

### Singapore

In Singapore, demand for construction is expected to remain stable. The public sector continues to be the main driver, with projects such as the Cross Island Mass Rapid Transit (MRT) Line, several hospital developments, the Sentosa Brani Master Plan and the Changi Airport expansion.

## Key trends



### Northern Metropolis

The Northern Metropolis will bring the development of more than 3,000 hectares of land in several phases over the next 20 years, and it is estimated that about half of that is private land. The development includes the San Tin Technopole project, which will provide 150 hectares of additional land for innovation and technology uses.



### Long-term aviation investment

The Airport Authority of Hong Kong has spent HK\$9 billion to improve its infrastructure on top of the HK\$141.5 billion Three Runway System project, with works underway to increase connectivity within the Greater Bay Area.



### Railway network extension

An ambitious programme of new railway projects is currently in progress to expand the existing railway network by 25%.



### Stable construction spending

Public sector investment is driving expansion in Hong Kong, with public construction spending expected to reach HK\$160 billion by 2027.





# Infrastructure Investments: a source of value

**Balfour Beatty Investments is recognised as a leader in public private partnerships and other developments in the UK and the US.**

## Infrastructure assets remain resilient through macro shocks

Infrastructure assets are generally long-lived with stable cash flows that are typically linked to inflation and often supported by regulatory or contractual protection. As a result, infrastructure assets can provide a predictable return over time and usually have lower volatility than other traditional asset classes.

Moreover, the infrastructure sector continues to benefit from long-term secular tailwinds – the need to decarbonise, modernise and replace existing assets – that are expected to remain intact even as markets adjust to higher underlying base rates and inflation.

## Future investment focus

### STUDENT ACCOMMODATION

Demand for student accommodation remains strong for both conventional as well as off-campus student housing projects.

### EV RESIDENTIAL CHARGING INFRASTRUCTURE

Growth in EV adoption provides opportunities for the Group in the charger deployment market.

### NASCENT ENERGY TRANSITION

As the UK's energy mix transitions to more renewable sources, the Group continues to evaluate these changes for both investment and construction opportunities.

### MILITARY HOUSING

The Group continues to develop and maintain a large network of privatised military housing facilities across the US.

### MULTIFAMILY HOUSING

US multifamily accommodation continues to come to market, providing opportunity to invest in the regeneration of these properties.

### PUBLIC-PRIVATE PARTNERSHIP PROJECTS

Legislation allowing public-private partnership (P3) projects has passed in 41 states, creating opportunities in courthouse, school, government building and transport projects.

## TEAMING UP WITH THE UNIVERSITY OF SUSSEX TO FINANCE AND BUILD NEW STUDENT ACCOMMODATION

Balfour Beatty has reaffirmed its longstanding partnership with the University of Sussex by securing the contract for the new West Slope Residences.

On completion, the campus will provide 1,899 bedrooms, together with a new health and wellbeing centre as well as catering and retail facilities for students.

Along with an equity commitment of £32 million, Balfour Beatty Investments has provided the funding strategy which raised a £171 million bond for the project.

Balfour Beatty has achieved considerable success in the student accommodation market with an investment portfolio of nearly 5,000 beds in development or operation across the UK, testament to its end-to-end offering from funding and development through to design, construction, and maintenance in partnership with Balfour Beatty's UK Construction business.





INNOVATION IN CONSTRUCTION

# Digital drives performance



**IMAGE**  
Our Operational Control Hub on Balfour Beatty Living Places' Lincolnshire County Council highways maintenance contract.



**Balfour Beatty is using data, AI and digital technologies to improve safety, productivity and assurance.**

Our digital transformation gained momentum back in 2018 when we established our data lake – a secure, central repository of billions of data points from across Balfour Beatty. Today, we’re using it to power our digital toolset, to bring supply chain partners into our digital ecosystem and generate the real-time data we need to manage and deliver works, safely and sustainably.


Our project teams are now embedding a range of software and hardware that is improving how we deliver. Through our digital passport initiative, our supply chain partners’ employees can now access and feed information into our project management tools via our Site Apps. Powering collaboration, Site Apps enable the entire workforce to complete job cards and quality checklists, request safety permits and share safety observations, as well as allowing our management teams to check the competencies before they step on site.

The real-time data collated via our Site Apps is shared with management teams and operational control hubs to help us to plan works and prioritise resources more effectively. As we continue to roll out our digital passports to supply chain partner employees, we’re also deploying new hardware, such as Human Form Recognition Cameras which alert plant operators if someone is in close proximity to their machine.

**Using AI to refocus our people’s time**

We are developing our own secure AI assistant, StoaOne, to provide everyone in our business with a personal digital assistant that can help with mundane and time-consuming tasks, allowing our experts to focus on the areas they provide the most value in. StoaOne is a GPT model that mines our data lake, summarising the 8,000+ documents in our Business Management System, quickly putting the right information at our people’s fingertips. Now being trialled in our Regional Civils business, with a view to rolling it out wider in 2024, typical use cases include compiling all the required safety procedures and checks from across many documents, into one place when planning crane lifts.

In what could be a step-change to how we manage safety risks on our projects, we are also developing an AI-powered tool that analyses safety data, including incident information and observations, to identify safety risks on our projects before any incidents occur.

 See page 50 to read more about our approach to digital safety.

**15,000**

**UK SUPPLY CHAIN PARTNER EMPLOYEES ARE NOW USING OUR SITE APPS**

**57,000**

**DIGITAL SAFETY PERMITS ISSUED VIA OUR APP**

**400,000+**

**HEALTH AND SAFETY OBSERVATIONS RAISED VIA OUR APP IN 2023**

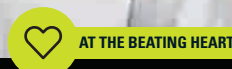


SCAN OR CLICK TO WATCH A VIDEO ON OUR DIGITAL JOURNEY



**StoaOne, Balfour Beatty’s in-house AI assistant is changing how we use technology. We continue to be amazed by the tasks that it can undertake and are discovering new ways to use it on an almost daily basis. Our industry’s ability to deliver is often hampered by skills shortages; emerging technologies like StoaOne will help solve this problem and also attract a more diverse range of skillsets to our industry.”**

**Anthony Burgess**  
Technical Director, Balfour Beatty’s UK Construction business







# Delivering Build to Last



**Build to Last is our strategy for continuous improvement. It is the day-to-day guide we use to uphold our purpose and underpins everything we do.**

## Lean

**We create value for our customers and drive continuous improvement**

We're thoughtful and agile, continuously challenging our ways of working to improve health and safety and productivity, eliminate waste and enhance quality to make us more competitive.

## Expert

**Our highly skilled colleagues and partners set us apart**

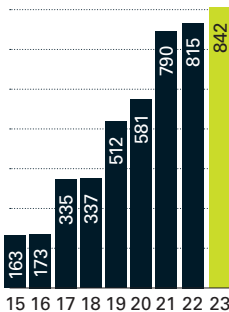
Our people are leaders. We're the experts of today and inspire the leaders of tomorrow. We invest in our colleagues, building their skills and knowledge, to develop a passionate, world-class workforce drawn from all parts of our society.

### Our KPIs

The Build to Last strategy is measured against our five values – Lean, Expert, Trusted, Safe and Sustainable.

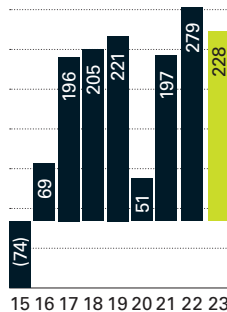
#### NET CASH £m

excluding non-recourse borrowings and lease liabilities



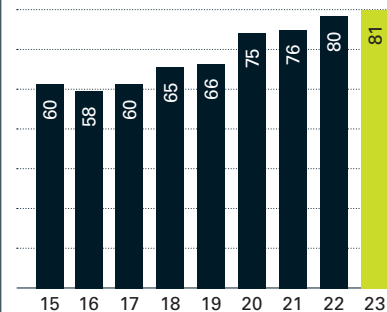
**2023:**  
**£842m**

#### UNDERLYING PROFIT/(LOSS) FROM CONTINUING OPERATIONS £m



**2023:**  
**£228m**

#### EMPLOYEE ENGAGEMENT INDEX %



**2023:**  
**81%**

### More information

Find out how our strategy is supported by the current market on pages 14 to 25. For the risk appetite in the context of the Company values see page 94.

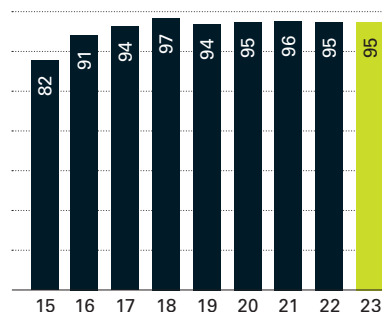


## Trusted

**We deliver on our promises and we do the right thing**

We build trust every day by delivering on our promises, always. We're accountable for our decisions and work with the upmost integrity to ensure we're making the right choices.

### CUSTOMER SATISFACTION AVERAGE %



2023:  
**95%**

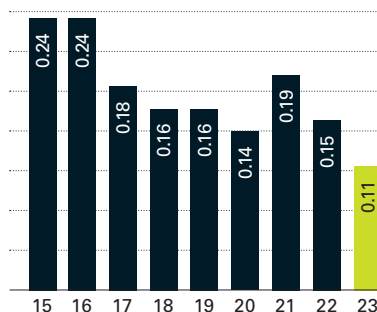
p52

## Safe

**We make safety personal**

Safety is our license to operate. Nothing is more important than the health, safety and wellbeing of our colleagues and the communities we serve. We are unrelenting and uncompromising in our commitment to achieving Zero Harm.

### LOST TIME INJURY RATE (LTIR) excluding international joint ventures



2023:  
**0.11 LTIR**

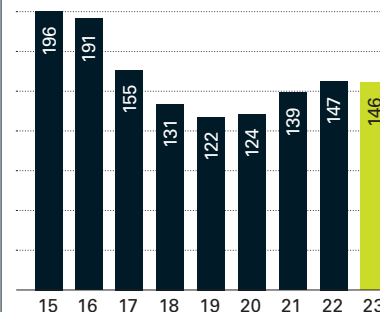
p44

## Sustainable

**We act responsibly to protect and enhance our planet and society**

We leave a positive legacy for the people we work with, the communities we work in, and the world in which we operate. We want to enhance our impact on the environment, working with our supply chain partners, customers and communities to ensure our choices are sustainable.

### TOTAL SCOPE 1 AND 2 EMISSIONS (tCO<sub>2</sub>e) 000s



2023:  
**146 tCO<sub>2</sub>e 000s**

p54



# Sharing the value we create

In striving to achieve its purpose of Building New Futures, Balfour Beatty touches the lives of millions of people around the world. Working with multiple stakeholders across the industry and beyond, the Group continues to innovate and lead the market through driving change, shaping the debate and inspiring a new generation of talent to be the change-makers of tomorrow.

## About our stakeholders

From shareholders and employees to customers, supply chain partners and the communities we operate in, each stakeholder group holds a vested interest in Balfour Beatty's activities, performance or success. Their support, feedback and collaboration are vital for driving business growth and profitability but also for fostering trust and sustainability, and building a positive lasting legacy.

## Shareholders

**Our shareholders, as owners of the Company, are a critical stakeholder for the Group.**

### 2023 engagement examples:

- ▶ Throughout 2023, the Company held 75 meetings with shareholders and investors. For details on how the Board engages with investors see pages 128 and 129.
- ▶ To keep shareholders up to date with company news including financial information, we share regular updates via regulatory announcements, webcasts and presentations. Balfour Beatty's 2023 half year results and 2022 full year results announcements generated 2,000 virtual views, with the announcements accessed over 25,000 times in 2023. Headlines from full and half year results are shared in an engaging way on our corporate social media channels and from our Group Chief Executive, Leo Quinn's LinkedIn profile. In 2023, Leo's LinkedIn post received record engagement levels, in March 2023, his post was seen by 36,000 people and in August 2023, his post was seen by 17,500 people.

### Creating value:

Balfour Beatty has established the strongest balance sheet in its sector and from this position of strength, continues to deliver on its multi-year capital allocation framework, announced back in March 2021. This provides a balanced approach between the investment needs of the business, regular dividend payments and additional returns to shareholders. Balfour Beatty intends to return c.£160 million in 2024 through a combination of dividends and share buybacks, which will bring the cumulative return to shareholders since the introduction in 2021 of the multi-year capital allocation framework to over £750 million.

## INVESTOR VISIT TO HS2 OLD OAK COMMON STATION

In November 2023, Balfour Beatty welcomed seven investors, including four of the Company's top ten shareholders, to the HS2 Old Oak Common station in London, the largest new build station in the UK for 100 years, to share an update on our progress and the expert capability we deploy to deliver critical and complex infrastructure projects.

Group Chief Executive Leo Quinn, supported by Balfour Beatty VINCI SYSTRA Project Director Nigel Russell, and Construction Lead Brendan Seymour, emphasised collaboration and teamwork as the main drivers in helping deliver a successful project with a diverse supply chain comprised of multiple contractors.



**ABOVE**  
Our investors visit to HS2 Old Oak Common station, London.



## Customers


**Collaborative and long-term mutually beneficial relationships with our customers are the foundation of our success.**

### 2023 engagement examples:


- As the industry leader, we know that freely sharing best practice is the best way to help the industry develop and evolve. In 2023, we launched our new 'five minute read' documents where our experts share their perspectives on important topics within the construction and infrastructure industry, discussing opportunities for the sector and sharing views on how to increase awareness of Modern Methods of Construction (MMC). The publication received a high level of engagement on social media, with Balfour Beatty's customers such as National Highways supporting the initiative.
- Balfour Beatty ran a successful series of high-level energy roundtables in 2023, on nuclear power, Carbon Capture Utilisation and Storage and offshore wind to discuss how to overcome key issues in each area in order to deliver the critical energy infrastructure the UK needs. The high-level events were attended by senior participants including customers, Government, partners and industry experts.
- We regularly invite our key strategic customers and partners to play an active role at Balfour Beatty's conferences, providing them with an opportunity to share their priorities and focus areas with our leaders, and to help Balfour Beatty align its approach to best support them. At our 'Engineering our Future' conference in November 2023, we invited senior leaders from valued customer organisations, including Sizewell C, Network Rail and Scottish and Southern Electricity Networks to join a facilitated panel discussion and Q&A in front of an audience of 180 Balfour Beatty leaders.

### Creating value:

The key metric for our Trusted value is customer satisfaction. In 2023, over 1,800 customer satisfaction reviews were carried out with the Group's customer satisfaction score standing at 95%.



**SCAN OR  
CLICK TO READ OUR FIVE  
MINUTE READ ON MMC**



“

This is a super 'five minute read'. Well done to Balfour Beatty for putting complex ideas into a simple format. Our construction industry has to coalesce if we are going to transform its reputation from being fragmented to one that grabs potential, makes it real and takes strides to showcase the use of MMC.”

Manjit Rana  
Head of Sustainable Commercial Improvement  
National Highways

## Employees

**Talented and engaged employees committed to upholding our values enable us to deliver on our Build to Last strategy ensuring we win, and expertly deliver the best and most exciting projects whilst continuing to build a great place to work.**

### 2023 engagement examples:

- My Contribution (MyC) is our engagement programme for employee led business change giving each and every colleague a voice empowering them to share their ideas. In 2023 colleagues from across the UK shared 2,200 MyC ideas, with those delivered generating £7.6 million of cash, £2.5 million of cost savings, 71,800 hours of time saved, and 417 ideas delivered in the Better Place to Work category. Find out more about MyC on pages 78 and 79.
- Live events and conferences form a key approach for delivering impactful employee engagement across the Group. In 2023 across the UK, we held more than 20 face-to-face events, engaging over 3,400 colleagues. These events provide an opportunity for leaders and subject matter experts to engage employees on key strategic and thematic areas, building a deeper understanding among audiences and creating a space for two-way dialogue. From large conferences attended by more than 200 people for our HS2 Major Projects business, to small, focused events for Group-wide senior leaders, each event is carefully devised to advance business strategy, celebrate success, promote leadership engagement, and build corporate knowledge.
- The Group celebrates and takes part in a range of diversity and inclusion focused events to help create an inclusive workplace. In 2023, this included Hispanic Heritage Month, Women's Equality Day and Black History Month in the US, International Women's Day in Hong Kong and the UK, and International Day of People with Disabilities, Pride Month and International Women in Engineering Day in the UK.

For details on how the Board engages with employees see pages 125 to 127.

### Creating value:

The key metric for our Expert value is employee engagement. In 2023, our Group employee engagement score was the highest to date, rising for the sixth year in a row to 81%.

Our surveys are run by an independent company and when benchmarked, our engagement score for 2023 was 7 percentage points above an industry average and 8 percentage points above companies of a similar size.



#### ABOVE

Our HS2 Major Projects employee conference in Birmingham.



## Supply chain and strategic partners

The thousands of supply chain partners we work with across the UK, US and Hong Kong play an instrumental role in our success and in improving and enhancing best practice across our industry.

### 2023 engagement examples:

- In the UK, it is estimated that 122,000 people in the UK are victims of modern slavery with our industry one of the highest risk industries. Starting from October 2023, we made changes to our ConstructionLine pre-qualification, and helped our supply chain partners to either update or create their own Modern Slavery Statement. We also provided training on how to conduct modern slavery audits of our supply chain, further enhanced our sustainability tender question set in Jaggaer – our UK eProcurement portal – to include modern slavery questions and launched procurement guidance in our solar PV supply chain in collaboration with Action Sustainability, the delivery partner of the Supply Chain Sustainability School.
- We launched a pilot of our new £10 million Innovation Fund at our Strategic Supplier Conference in London in May 2023. The purpose of the fund is to spur a wave of innovation to help future-proof not just our business, but the wider industry, providing a launchpad for new products, ideas and other solutions within a ‘live environment’ testing ground. We continue to receive applications.
- In the UK, Leo Quinn, Group Chief Executive announced his Founder’s Pledge as part of The 5% Club’s 10-year anniversary. 10 apprentices from across the UK business and its supply chain secured the coveted Founder’s Pledge award. Leo personally gifted £10,000 to support the 10 chosen apprentices and help address the troubling statistics that nearly half of apprentices in the UK fail to complete their training due to a lack of wellbeing and financial support. Each apprentice has now embarked on a one-year mentoring programme, where they will learn and gain experience directly from their own business leaders to support their continued growth and success whilst also ensuring the development of the industry’s future talent.

### Creating value:

Ensuring cash reaches our supply chain partners quickly for work carried out remains a priority. In line with the UK’s Prompt Payment Code, Balfour Beatty is committed to paying all supply chain partners on time and to mutually agreed terms. We continually invest in our processes and procedures to improve our payment performance and enhance accuracy and transparency. In 2023, the percentage of invoices paid in the UK within 60 days was maintained at 97% – a significant improvement from 86% in 2019.



ABOVE  
Leo Quinn, Group Chief Executive, with The 5% Club Founder’s Pledge Award winners.

## Governments

Governments set the policy and legislative context in which we operate and are also valued customers across all of our chosen geographies.

### 2023 engagement examples:

- In advance of the 2023 UK Government Autumn Statement, we submitted a fulsome report to the Government on the changes that we would wish the UK Prime Minister to make, in order to enhance the industry.
- In June 2023, we welcomed the Tees Valley Combined Authority to Balfour Beatty VINCI’s HS2 Kingsbury Skills Academy to see at first-hand the investment in skills we make when we work on a major scheme.
- In 2024, we participated in Labour’s Major Capital Projects Review to discuss improvements in infrastructure delivery and how to maximise its significant potential as a key catalyst for social and economic benefits across the UK. We also made a comprehensive written submission to the review, which included recommendations and contributions from UK colleagues.

### Creating value:

Thanks to the relationships we have established with key stakeholders across the UK Government, we are able to engage with Whitehall departments in order to improve our ability to deliver vital public sector projects efficiently.

In 2023, Balfour Beatty led a response from 13 of the sector’s leading contractors and consultants to the UK Government’s consultation on operational reforms to the Nationally Significant Infrastructure Project (NSIP) consenting process. This consultation outlined the Government’s proposals to reform the planning and consenting approach for major infrastructure schemes and, as such, has the potential to significantly impact our work. Our single, cohesive and authoritative response suggests a number of alternative solutions and was shared with Government and the Labour Party to help shape a better approach on this critical area.

### PARTNERING WITH THE CAROLINAS ASSOCIATED GENERAL CONTRACTORS OF AMERICA (AGC)

Mark Johnnie, Senior Vice President at Balfour Beatty US, attended a conference hosted by AGC of America, a leading association for the construction industry which regularly engages with influential members of Congress and top officials in federal agencies. The conference allowed attendees to meet members of the US Senate and House of Representatives from North and South Carolina to discuss issues important to the construction industry, including how to relieve the skills shortage, immigration, and technical education funding for construction trades.

## Communities

**Our activities can have a lasting impact on the communities in which we operate – we strive to leave a positive legacy.**

### 2023 engagement examples:

- › In the UK, Balfour Beatty successfully completed the Regent Street Flyover project for Leeds City Council via the SCAPE Civil Engineering framework. Over the duration of the scheme, we generated an impressive £10.8 million of social value providing job opportunities to over 26 local people and delivered 200+ hours of volunteering in the local community.
- › In Hong Kong, Gammon launched an 18-month partnership with Tung Wah Group, one of the oldest charitable organisations in Hong Kong. The partnership reflects Gammon's commitment to societal wellbeing, with Tung Wah Group known for its constant development of services to the medical and educational industries as well as to local communities. In September, Gammon also supported the successful launch of Tung Wah Group's End of Life Service for the Elderly.

- › In 2023, Balfour Beatty Communities awarded 44 college scholarships, totalling more than US\$113,000, to residents living in its US military housing, multifamily housing, and student housing schemes. The annual scholarship programme supports the Balfour Beatty Communities Foundation's primary goal of encouraging and promoting the pursuit of education and commitment to community leadership.

### Creating value:

In the UK, Balfour Beatty continues to use the National TOMs framework as a method of measuring and reporting social value to a consistent and recognised standard. In 2023, across Balfour Beatty's UK projects we delivered £937 million in social value, an increase of 15% on our 2022 performance.

### BELOW

Pupils with HS2 Balfour Beatty VINCI volunteers in the new Forest School at Paget Primary School, Birmingham.



## Learning in the wild

Pupils at Paget Primary School in Birmingham are now enjoying a new Forest School thanks to volunteers from Balfour Beatty VINCI (BBV) and HS2. The new facilities encourage children to learn and develop, both physically and emotionally, through play, activities and exploration of the outdoor area.

Over four days, a team of volunteers, including apprentices, from the nearby HS2 Bromford Tunnel Shaft construction site levelled the area where the Forest School is situated and spread tree bark, before installing tables, chairs, a fire pit, a 1,000-litre water butt, two mud kitchens, a bug hotel, bird tables, bird boxes and an area to practice country fence weaving.





# Strong performance across all divisions

Throughout this report, the Group has presented financial performance measures which are considered most relevant to Balfour Beatty and are used to manage the Group's performance. These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as these measures provide relevant information on the Group's past or future performance, position or cash flows. These financial performance measures are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation. An explanation of the Group's financial performance measures and appropriate reconciliations to its statutory measures are provided in the Measuring our financial performance section on pages 81 to 87. Non-underlying items are the cause of the differences between underlying and statutory profitability. Additionally, revenue includes the Group's share of revenue of joint ventures and associates.

## Construction Services

**Our Construction Services businesses operate across infrastructure and buildings markets in the UK, the US and in joint venture in Hong Kong.**

### REVENUE<sup>1</sup>

**£8,081m**

2022: £7,482m

### STATUTORY REVENUE

**£6,695m**

2022: £6,409m

### UNDERLYING PROFIT FROM OPERATIONS

**£156m**

2022: £149m

### STATUTORY PROFIT FROM OPERATIONS

**£143m**

2022: £150m

### ORDER BOOK<sup>1</sup>

**£13.7bn**

2022: £15.0bn

### Financial review

Revenue at £8,081 million was up 8% (2022: £7,482 million), an 8% increase at CER, with higher volumes in the UK and Gammon.

Underlying profit from operations increased to £156 million (2022: £149 million) due to improved profitability in UK Construction and higher volumes at Gammon, partially offset by reduced profitability in US Construction. Statutory profit for the year was £143 million (2022: £150 million). The order book reduced by 9% (6% at CER) in the year to £13.7 billion (2022: £15.0 billion), due to a reduction at Gammon and foreign exchange movements.

UK Construction: Revenue in UK Construction increased by 10% to £3,027 million (2022: £2,763 million) driven primarily by higher transport volumes.

UK Construction underlying profit from operations increased to £69 million (2022: £59 million), driven by higher revenue and improved project delivery. This represents a 2.3% PFO margin (2022: 2.1%) and demonstrates progress in the Group's medium term ambition to achieve a 3% PFO margin in UK Construction, with further improvement expected in 2024.

The UK Construction order book remained flat at £6.1 billion, with 91% of those orders from public sector and regulated industry clients.

US Construction: Revenue in US Construction increased by 1% (1% at CER) to £3,697 million (2022: £3,651 million). Underlying profit from operations for US Construction reduced by 12% to £51 million (2022: £58 million) as a small number of civils projects have taken longer than initially scheduled. Due to the fixed-price nature of the contracts, the cost of these delays has impacted profitability in 2023 and we now expect PFO to be flat in 2024.

The US Construction order book decreased by 7% to £5.6 billion (2022: £6.0 billion) due to foreign exchange movements and was flat at CER. Following a difficult period for orders in the first half of 2023, the stabilisation of interest rates has contributed to an improvement in market conditions, particularly in the commercial office sector, resulting in a stronger period of order intake in the second half.

Gammon: The Group's share of Gammon's revenue increased by 27% (27% at CER) to £1,357 million (2022: £1,068 million) driven by an increase in major civils volumes, including the Terminal 2 expansion at Hong Kong Airport. Underlying profit increased to £36 million (2022: £32 million) representing a 2.7% profit margin (2022: 3.0%).

The Group's share of Gammon's order book decreased by 31% (29% at CER) to £2.0 billion (2022: £2.9 billion) with the accelerated utilisation of the order book only partially offset by new orders, which included a HK\$3.7 billion contract to construct a new development at Cyberport, which is the largest Fintech community in Hong Kong, from a wholly owned company of the Hong Kong Special Administrative Region Government.

<sup>1</sup> Including share of joint ventures and associates.



## Balfour Beatty's end-to-end capabilities position it well to capitalise on the market opportunities in UK energy security and transition infrastructure."

### Operational review

#### UK Construction

##### Breadth of opportunities in chosen markets

The next UK general election is expected in the second half of 2024 and both the incumbent Government and the Opposition have set out their plans to help accelerate the delivery of critical infrastructure in the UK, which address industry challenges such as slow decision making, planning delays and the uncertainty which has hindered private investment. With both the Conservative and Labour parties recognising the importance of infrastructure development to economic growth, the outlook for Balfour Beatty in the UK remains positive. The Group's chosen focus areas in the UK of energy and transportation infrastructure are high on the priority list for both parties and represented 81% of the Infrastructure and Project Authority's £775 billion National Infrastructure and Construction Pipeline published in February 2024. In the same month, the Labour party revised down its previous green investment policy due to economic pressures, however the new commitment represents an increase to current levels of spending and does not impact Balfour Beatty's view of the broad opportunity in the medium term.

Balfour Beatty's end-to-end capabilities position it well to capitalise on the market opportunities in UK energy security and transition infrastructure. During 2023, the number of conversations with potential customers and the volume of work being pursued in this space has grown significantly, aided in part by favourable fundamentals and Government support. Recent developments include:

- › as part of the 2023 Spring Budget, the UK Government allocated £20 billion of funding to the development of carbon capture and hydrogen production technologies. Opportunities include Net Zero Teesside, a first-of-a-kind integrated power and carbon capture project, for which Balfour Beatty was involved in the front-end engineering and design study;
- › in July, the UK Government stated that up to £20 billion could be spent on the development and construction of small nuclear reactors (SMR), and in October, Holtec's SMR-160 pressurised light-water nuclear reactor, for which Balfour Beatty is the main construction partner, was selected as one of six designs to progress to the next stage of a government competition for the development of innovative technology to boost Britain's energy security and sustainability; and
- › in January 2024, the Development Consent Order (DCO) for Sizewell C was triggered and the UK Government made an additional £1.3 billion available for the new nuclear power station, specifically to support ongoing preparatory works such as improvements to roads and rail lines around the Suffolk site.

The Group also continues to pursue opportunities in offshore wind and hydrogen, and from 2025 onwards, the UK Construction division's civil engineering expertise is expected to be drawn on further as a result of the forecast expansion of power transmission and distribution volumes within Support Services.

In the UK transport sector, the Group's order book was unaffected by the Government's decision in October 2023 to cancel HS2 Phase 2, as this stage of the project had yet to be contracted. The Group continues to expect to deliver material volumes of HS2 work across the balance of the decade and is awaiting results for its bids submitted in November on four new packages of HS2 work covering overhead catenary and track installation. Aligned to the cancellation of HS2 Phase 2, the Government announced Network North, a £36 billion plan to improve the roads, buses and railways that people use every day. With Balfour Beatty holding material market positions with both Network Rail and National Highways, Network North could introduce new opportunities for the Group.

Balfour Beatty was awarded a £1.2 billion contract by National Highways in January 2023 to deliver the 'Roads North of the Thames' package of works for the proposed Lower Thames Crossing. As part of the announcement by the UK transport secretary on 9 March 2023 regarding a £40 billion investment in transport schemes across 2023–2025, Lower Thames Crossing was delayed by two years, with the notice to proceed from the Department for Transport now not expected prior to 2026.

In the UK defence and security sector, in which Balfour Beatty has been a long term participant, the Group have identified opportunities to grow its market share at a time when funding is also increasing. The Group's experiences in civil nuclear construction hold close adjacencies with some of the projects being tendered, while its end-to-end capabilities can simplify high security project delivery by reducing complex interfaces. The Ministry of Defence has £110 billion of funding ringfenced for the Defence Nuclear Enterprise (DNE) for the ten years to 2033, which will in part be used to upgrade defence infrastructure, and during 2023, the Group started work at two of the sites funded by the DNE.

### CONSTRUCTION SERVICES

	2023			2022		
	Revenue <sup>1</sup> £m	PFO £m	Order book <sup>1</sup> £bn	Revenue <sup>1</sup> £m	PFO £m	Order book <sup>1</sup> £bn
UK	3,027	69	6.1	2,763	59	6.1
US	3,697	51	5.6	3,651	58	6.0
Gammon	1,357	36	2.0	1,068	32	2.9
Underlying <sup>2</sup>	8,081	156	13.7	7,482	149	15.0
Non-underlying	–	(13)	–	–	1	–
<b>Total</b>	<b>8,081</b>	<b>143</b>	<b>13.7</b>	<b>7,482</b>	<b>150</b>	<b>15.0</b>

1 Including share of joint ventures and associates.

2 Before non-underlying items (Note 10).

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section.



## Balfour Beatty installs six offshore liners at Hinkley Point C

In December 2023, Balfour Beatty successfully installed six offshore liners at Hinkley Point C, a crucial step forward as Hinkley Point C's offshore works near completion.

Installed up to two miles off the coast in the Bristol Channel, the second largest tidal range in the world, the six liners, each weighing up to 270 tonnes, will play a significant role in the power station's vital cooling water system.

Lowered through 40-metre steel casings placed in the seabed earlier in the year, the six vertical liners will support the circulation of up to 120,000 litres of water per second from the Bristol Channel to the nuclear power station through five miles of underground tunnels to provide cooling to the power station's systems.

Reaching depths of 25 metres below sea level, each liner was designed with a world-first, innovative pre-installed isolation cap, allowing safe, ongoing access to the cooling water tunnels for the remaining construction works prior to being fully removed and stored for use, should tunnel maintenance works be required.



SCAN OR CLICK TO LEARN MORE ABOUT THE INSTALLATION OF THE SIX OFFSHORE LINERS AT HINKLEY POINT C.

## Construction Services continued

### Operational review continued

#### Improved delivery driving margin momentum

Balfour Beatty's market-leading position in the UK infrastructure market is built on its unmatched scale and vertically integrated capability for delivering major and regional projects. In 2023, 95% of UK Construction revenue was from public sector and regulated industry clients (2022: 91%). Balfour Beatty will continue to be selective in the work that it bids, through increased bid margin thresholds and utilisation of risk frameworks and contract governance. To this end, the Group's involvement in the Central London high-end private sector property market concluded in 2023. Alongside the Group's focus on reducing the risk within the order book is its determination to provide industry leading project delivery across the UK Construction portfolio.

At HS2, the scale and complexity of construction activity continued to grow in 2023. At Area North, the 2,000 tonne tunnel boring machine completed its second one mile journey underneath an ancient Warwickshire wood, marking the culmination of a three-year operation, from site set-up to the completion of the second breakthrough. The team also completed the first Birmingham viaduct pier in the city centre and three major bridge slides. At Old Oak Common, the HS2 station in West London, the diaphragm walls and piling to the HS2 Box have been completed, with over 660,000 tonnes of London clay removed from site during the year and transported 1.7 miles via conveyor to Willesden Euroterminal.

At Hinkley Point C, good progress continues to be made on the marine works for the new nuclear power station. During the year the six vertical liners that will ultimately connect the previously bored tunnels with the concrete tunnel heads, which were placed on the seabed in 2022, were safely installed using specialist marine vessels and equipment. In addition, the side walls of the bored outfall tunnel were expertly broken through to allow underground mining works to progress. When all the connections in both the outfall and intake tunnels are completed, the cooling water system will have the capacity to circulate 120,000 litres of water per second directly from the sea to the nuclear power station through the tunnels and underground caverns.

At the Thames Tideway Tunnel project, the Balfour Beatty joint venture's construction work at Putney has been substantially completed and the new riverside area created has been opened to the public, and at its main site, Carnwath Road in Fulham, the team has reached the major milestone of completing the shafts and tunnel works.

Major Highways is a year into the major improvement scheme at the interchange between Junction 10 of the M25 and the A3, which is expected to complete in the summer of 2025. In October, the team enforced a full closure of part of the A3 over one weekend for the installation of ten 33-metre pre-cast concrete beams to form a new bridge, which will provide a safer route for walkers, cyclists, horse-riders, and drivers. This work was completed safely, with the A3 reopened for traffic four and a half hours earlier than anticipated. The Major Highways team also completed concrete safety barrier work on

the M3 and M1/A1 in the year and made progress on the A63.

UK Construction currently has around 700 live projects in the portfolio, which is slightly higher than recent years. During 2023, work was completed on a wide range of projects including the Mayfield Retirement Village in Watford, the Forder Valley link road and bridge in Plymouth, the National Treatment Centre Highland Hospital in Inverness and the Institute for Regeneration and Repair at the University of Edinburgh. New projects which started in the year included a new building at the AWE Aldermaston site near Reading, civils work at Devonport Dockyard in Plymouth, the Central Rhyl Coastal Defence scheme in North Wales and the Dunfermline Learning Campus for Fife College.

In addition to projects started in the year, work added to the order book in 2023 included the £300 million West Slope student accommodation development a Sussex University, which is a Balfour Beatty Infrastructure Investments project, and a £67 million contract for a replacement Liberton High School in Edinburgh.



## US Construction

### Interest rate stability aids progress in commercial office sector

Balfour Beatty's US Buildings business accounted for 85% of US Construction revenues in 2023 (2022: 78%). With most of the projects undertaken by US Construction contracted on fixed-price terms, Buildings remains the lower risk business within the division, as the early issuing of subcontracts for works packages and insurance of the supply chain protects the Group's US margin. The Buildings business operates in five geographies, each with a different mix of customers, and therefore the macroeconomic conditions seen throughout the year have had more of an influence on some areas than others. As a result of this diversification, the result of the upcoming US election is not expected to have a material impact on the US Construction business.

During 2023, the education market in California remained strong, while the federal market in the Mid-Atlantic, and hospitality and aviation markets in the Southeast, have shown growth. In the Northwest, the technology market has started to show early signs of recovery, while the business is also servicing new end-markets. In Texas, where the Group has the majority of its commercial office exposure, there have been positive signs towards the end of the year that the impact of inflationary pressures and high interest rates is reducing. The Group converted US\$800 million of commercial office projects from awarded to contracted in the fourth quarter and with the awarded but not contracted position remaining significant, an easing of economic pressures should lead to another strong year of order intake in 2024.

### Early successes in US Buildings growth strategy

The US Buildings business has adopted a growth strategy to add further diversification to its regional businesses. By targeting additional cities in states with existing Balfour Beatty offices, and broader end-markets in some regions where the business is already active, new opportunities are being identified. The new locations were chosen based on market fundamentals and adjacency to established offices, and include Sacramento in California, Savannah in Georgia, Charleston in South Carolina, Richmond in Virginia, and Tampa in Florida. These offices will take time to reach scale, but there are early signs of promise such as the construction of a three-storey building at Sierra College in Rocklin, California, an elementary school in Savannah, a senior living facility in Charleston, a student housing project at The College of William and Mary near Richmond, and a multifamily housing project in Tampa.

By broadening the regions in which it serves certain end-markets, the US Buildings business can further utilise its in-house expertise and customer relationships held locally to drive organic growth. This has helped secure the award of over US\$1 billion of combined airport work at Raleigh-Durham International Airport in North Carolina, Jacksonville International Airport in Florida and Sacramento International Airport in California, which is expected to be added to the order book in phases when contracted. The Buildings business is also working on a theme park in Texas and renovations at a theme park in California, which follow many years of successful construction at theme parks in Florida, as well as a data centre project in Seattle, continuing on the successes in Oregon.

### Strong delivery and work winning in 2023

During the year, progress has been made on significant Buildings projects including:

- › substantial completion of Block 216, the fourth tallest building in Portland, Oregon;
- › topping out of the Broward County Convention Center's East Expansion and Hotel in Florida;
- › completion of the Icon Marina Village, a group of luxury apartments in West Palm Beach, Florida;
- › substantial completion of the Del Sol High School in Oxnard, California; and
- › completion of the ilani Casino Hotel in Ridgefield, Washington.

In the year, the Buildings business booked material new phases of existing contracts and standalone new contract awards including:

- › US\$350 million of data centres in the US Northwest;
- › two commercial office projects in Texas totalling US\$800 million; and
- › US\$480 million of additional Federal work in Washington D.C.

### Progress made in major Civils jobs

The US Civils business focuses on highways projects in Texas and the Southeast and mass transit rail in major US cities. Order intake improved compared to the prior year, with additions including a US\$242 million design-build highways contract in North Carolina, however the volume of civils jobs coming to market and aligned to the Group's capabilities has not increased notably since the passing of the Inflation Reduction Act in 2022.

Balfour Beatty remains cautious in its approach to complex civils contracts in the US, as the combination of fixed-price contractual terms and the self-perform nature of the work gives limited scope to mitigate inflation and schedule risk. As a result, the Group's civils bidding is focused on those projects which closely align to its core capabilities.

Progress at the major US Civils projects in 2023 included:

- › As part of the LINXS Constructors joint venture at Los Angeles International Airport, Balfour Beatty achieved energisation of the two Intermodal Transportation Facilities and the traction power substations;
- › at the Caltrain rail project in California, testing of the electric trains, operated under power from the overhead contact system, has begun;
- › at the Oak Hill Parkway highways project in Texas, the team completed key traffic switches and opened the new William Cannon Bridge;
- › completion of the US\$300 million Tertiary Treatment Facilities project at the EchoWater Project in California; and
- › completion of the US\$60 million Harkers Island bridge in North Carolina a year ahead of schedule. The bridge is the first structure in the state to utilise non-corroding, carbon fibre reinforced polymer strand and glass fibre reinforced polymer rebar to combat corrosion in coastal environments.



## Celebrating the opening of the new Harkers Island Bridge ahead of schedule

In December 2023, Balfour Beatty celebrated the grand opening of North Carolina Department of Transportation's (NCDOT) Harkers Island Bridge which was completed about one year ahead of schedule. The new 3,200-foot-long, fixed-span bridge connects Harkers Island to the mainland as part of NCDOT's US\$60 million project which involved replacing two 50-year-old bridges to increase capacity for emergency access and evacuation and reduce congestion and delays for marine vessels and vehicular traffic.



## Construction Services continued

### Gammon

#### Strong position in buoyant Hong Kong construction market

Gammon, Balfour Beatty's 50:50 joint venture with Jardine Matheson based in Hong Kong, has forged a reputation for delivering high quality projects in Southeast Asia. The business is well placed to capitalise on the high level of major infrastructure investment in the region, which will bring the development of additional land, creating significant development opportunities for both the public and private sectors. The current pipeline of infrastructure projects is driven by the Hong Kong Government's drive to increase connectivity within the Greater Bay Area, as it announced three new strategic railways and three new major roads. It has identified the Northern Metropolis as a new engine for future development and is exploring the benefits of developing the Kau Yi Chau Artificial Islands as a third central business district.

Gammon continues to have a strong share of both the buildings and civils markets in Hong Kong. In buildings, the focus is on the use of Design for Manufacture and Assembly (DfMA) and modular construction to improve productivity and efficiency and expanding the customer base on a selective basis. In civils, the strategy is to lever engineering excellence, with a key area of future work likely to be from significant infrastructure programmes in Hong Kong and in Singapore.

During 2023, Gammon completed a project at Hong Kong International Airport, which included the construction of a bridge to connect the two islands which accommodate the airport and the boundary crossing facilities for the Hong Kong-Zhuhai-Macao bridge. Work continued on two other major projects at the airport, with completion of the concrete structure for the new Terminal 2 facility and its roof fabrication largely complete, and steady progress on the tunnel construction and the electrical and mechanical works for the automated people mover.

At the student hostel project for City University of Hong Kong, which will be the world's largest student hostel to be constructed using modular integrated construction (MiC), the final MiC module out of a total of 1,344 was successfully installed. It resulted in the safe and efficient installation of all the units in less than eight months.

As part of the Central Kowloon Route project, a 4.7km dual three-lane trunk road that will enhance connectivity between the east and west Kowloon districts, Gammon continued to deliver the Kai Tak West tunnelling contract and the route wide buildings, electrical and mechanical works contract. During the year, excavation of the second stage of underwater tunnelling was completed, with work beginning on the construction of the tunnel structure.

New orders in the year included a HK\$3.7 billion contract to construct a new development at Cyberport, which is the largest fintech community in Hong Kong, from a wholly owned company of the Hong Kong Special Administrative Region Government.



### Gammon wins Cyberport expansion project main contract in Hong Kong

In May 2023, Gammon was awarded the HK\$3.7 billion (US\$472 million) Cyberport expansion project by the Hong Kong Cyberport Management Company Limited, a wholly owned innovation and technology company of the Hong Kong Special Administrative Region Government.

The scope of the project includes construction of a 10-storey (including the rooftop) new building to provide facilities including office and co-working space, a data services platform, a multi-function hall and ancillary facilities, as well as enhancement to the adjacent Cyberport waterfront park.

Gammon has developed solutions for the works that support high-productivity construction (HPC). In particular, a multi-trade integrated approach will be applied to 70% of the M&E and certain building elements, with fabrication of the modules taking place at the company's dedicated factory. As well as improving efficiency, safety and quality, this off-site approach will allow the team to minimise disturbance within the community. HPC will be further achieved through the implementation of a suite of digital solutions including the company's self-developed digital platform, GTwin, which will allow the team to better monitor work progress, streamline workflows, and collect data from various sources for timely analysis to support improved and faster decision making.





## Support Services

**Our Support Services businesses operate principally in the UK, designing, upgrading, managing and maintaining critical national infrastructure.**

### REVENUE<sup>1</sup>

**£1,006m**

2022: £989m

### STATUTORY REVENUE

**£1,006m**

2022: £988m

### UNDERLYING PROFIT FROM OPERATIONS

**£80m**

2022: £83m

### STATUTORY PROFIT FROM OPERATIONS

**£80m**

2022: £83m

### ORDER BOOK<sup>1</sup>

**£2.8bn**

2022: £2.4bn

### Financial review

The Support Services business provides power, plant, road and rail maintenance and is characterised by profitable recurring revenues underpinned by long term frameworks targeting a PFO margin of 6–8%.

Support Services revenue increased by 2% to £1,006 million (2022: £989 million), mainly due to the commencement of two new major road maintenance contracts. Underlying profit from operations at £80 million (2022: £83 million) was lower than the prior year, partially due to the new road contracts incurring additional costs in the start-up phase, as expected. This resulted in PFO margin of 8.0% in the year (2022: 8.4%), which is at the top of the targeted 6–8% PFO margin range and represents a further strong year for the power, road and rail maintenance businesses.

The Support Services order book increased by 17% to £2.8 billion (2022: £2.4 billion) driven by the addition of the £297 million East Sussex road maintenance contract and the £330 million six-year extension to the Lincolnshire road maintenance contract.

### Operational review

#### Market leading position in rapidly growing Power T&D industry

The UK power transmission and distribution construction industry, in which Balfour Beatty holds a market leading position, is expanding sharply. Due to the necessity of upgrading the UK’s electricity network, Ofgem introduced the Accelerated Strategic Transmission Investment (ASTI) regulatory framework to fund the large strategic onshore transmission projects required to deliver the Government’s net zero targets. The £20 billion ASTI fund supports the accelerated delivery of network upgrades, with an ambition to cut delivery times in half. This is in addition to the RIIO-T2 spend period (2021–2026) investment, which includes £30 billion for energy networks and potential for a further £10 billion on green energy projects.



**A strong performance across the business has taken its PFO margin to 8.0%.”**

This has led to Balfour Beatty’s power transmission and distribution team bidding for record levels of work and being selected in August as one of ten preferred bidders on SSEN Transmission’s c.£10 billion ASTI framework. The Power business has now commenced early contractor involvement works on nine electricity transmission projects across the north of Scotland under the framework, which are expected to convert to full awards at a later date, and has submitted a bid to be included in National Grid’s Great Grid Upgrade ASTI framework. As a result, the Group expects volumes in the Power business to grow steeply across 2025 and 2026.

1 Including share of joint ventures and associates.

### SUPPORT SERVICES

	2023	2022
Order book <sup>1</sup> (£bn)	2.8	2.4
Revenue <sup>1</sup> (£m)	1,006	989
Profit from operations <sup>2</sup> (£m)	80	83
Non-underlying items (£m)	–	–
Statutory profit from operations (£m)	80	83

1 Including share of joint ventures and associates.

2 Before non-underlying items (Note 10).

A reconciliation of the Group’s performance measures to its statutory results is provided in the Measuring our financial performance section.

Operational highlights delivered by the Power business in 2023 include:

- › Completion of SSEN Transmission's first major project under the RIIO T2 framework, which was energised after Balfour Beatty installed 148 new steel-lattice towers across a 45km stretch from Port Ann substation near Lochgilphead to the substation at Crossaig.
- › Completion of 116 T-pylon structures for National Grid's Hinkley Connection Project. The 8.5km underground cable section under the Mendip Hills Area of Outstanding Natural Beauty (AONB) is now connected to the new line of T-pylons and also energised and transporting electricity.
- › Completion of National Grid and Energinet's record-breaking new 'Viking Link' interconnector, for which Balfour Beatty was responsible for the onshore cable installation stretching for 67km between Bicker Fen and Sutton-on-Sea. The link between the UK and Denmark will be able to transport enough green electricity to power up to 2.5 million UK homes.

In November, Balfour Beatty was awarded a significant scheme by National Grid to remove 4.6km of overhead high voltage electricity line and replace it with underground cables in the North Wessex Downs AONB. This is part of National Grid's Visual Impact Provision (VIP) project to reduce the visual impact of high voltage power lines in protected areas.

#### Further opportunities in rail

The rail maintenance market also has a positive trajectory, with the UK Government's commitment to invest £43 billion (as set out in the Statement of Funds Available (SoFA)) in operations, maintenance and renewal for the period 2024-2029 as part of Network Rail's Control Period 7 (CP7) strategic business plan. The cancellation of HS2 Phase 2 may also bring further funding forward for other rail projects, as pressure grows on the UK Government to direct investment into the North and Midlands. The Group is particularly focused on electrification schemes, as part of its ambition to deliver more net zero infrastructure in the UK.

The Rail business has had a successful year with good work volumes arising on the Core Valley Lines upgrade project in South Wales and the technically challenging emergency repairs of Nuneham Viaduct over the River Thames just south of Oxford, which were completed at pace and ahead of schedule.

#### Growing market share in road maintenance

The addressable road maintenance market remained positive in 2023. In addition to local council budgets increasing by around 50% in 2022 following the start of a five-year £2.7 billion scheme for road patching, the Government

announced in December that £8.3 billion previously allocated to HS2 Phase 2 would be redirected to highway maintenance over the next 11 years. Balfour Beatty's market share also increased in 2023 as the £176 million eight-year contract for highways services for Buckinghamshire County Council started in April and the £297 million seven-year contract for the maintenance of highways assets and the delivery of infrastructure services across East Sussex started in May. In the second half of the year, the Group secured a £330 million six-year contract extension

with Lincolnshire County Council and a £54 million two-year extension with Herefordshire County Council.

Looking to the future, there are several Local Authority contracts, like those won by Balfour Beatty for Buckinghamshire and East Sussex in 2022, coming to market in the next year for which the Group is well positioned.



## The restoration of Nuneham rail viaduct in Oxfordshire

In June 2023, Balfour Beatty's experts worked around the clock to safely reopen Nuneham rail viaduct in Oxfordshire, following an intensive 10-week programme of work.

The railway between Didcot and Oxford, which carries more than 100 passenger services and 40 freight trains a day, was closed in April 2023 following the wettest March in 30 years which caused significant movements in the 160-year-old viaduct making it unsafe for use.

Appointed via Network Rail's Western Reactive Framework, we mobilised a team of approximately 800 people who worked over 60,000

hours to deliver a long-term fix to the viaduct. This involved building a jetty in the River Thames to temporarily support the bridge deck, enabling the team to rebuild the bridge's foundations. In the final week of this major project, the 150-tonne bridge was lowered onto the new abutment and a new embankment built, before the railway tracks and cables were put back in place.

Traditionally, it can take up to three years to develop a solution for a scheme of this complexity however, our team delivered the works in a 10-week programme, handing back the railway line one day ahead of schedule.



**CLICK OR SCAN TO WATCH THE VIDEO OF THE NUNEHAM RAIL VIADUCT RESTORATION PROJECT**



## Infrastructure Investments

**Our Infrastructure Investments business develops and finances both public and private infrastructure projects in the UK and the US.**

### REVENUE<sup>1</sup>

**£508m**

2022: £460m

### STATUTORY REVENUE

**£292m**

2022: £232m

### UNDERLYING PROFIT BEFORE TAX

**£47m**

2022: £105m

### STATUTORY PROFIT BEFORE TAX

**£43m**

2022: £100m

### DIRECTORS' VALUATION

**£1.21bn**

2022: £1.29bn

### Financial review

Underlying pre-disposals profit from operations in the year decreased to £5 million (2022: £11 million) due largely to increased costs relating to the independent compliance monitor's work across the US military housing portfolio. The sale of two assets delivered a gain on disposal of £26 million (2022: £70 million) and resulted in underlying profit from operations of £31 million (2022: £81 million).

Balfour Beatty continues to invest in attractive new opportunities, each expected to meet its investment hurdle rates. In the year, the Group invested £31 million in new and existing projects with one new student accommodation project added to the portfolio. Balfour Beatty also continues to sell assets, timed to maximise benefit to shareholders. Two assets were disposed of in the second half of the year and delivered £26 million gains on disposal, within the Group's targeted range of £15–£30 million. Both transactions were above the Directors' valuation and total proceeds of £61 million comprised £56 million from the disposal of the Group's 49.5% interest in UBB Waste (Gloucestershire) Holdings Limited, the owner of the energy from waste facility at Javelin Park near Gloucester, and £5 million for its interest in the Moretti Apartments multifamily housing project in Birmingham, Alabama.

Net investment income of £16 million was £8 million lower than the prior year (2022: £24 million) due largely to a net £8 million impairment of joint ventures and associates subordinated debt and accrued interest receivable (2022: £2 million) as the cost to repair a faulty OFTO cable was provided for whilst contractual cost recoveries are being pursued. Underlying profit before tax was £47 million (2022: £105 million) and statutory profit before tax was £43 million (2022: £100 million).

### Operational review

Balfour Beatty's competitive expertise to finance, develop, build and maintain infrastructure puts the Group in a strong position to capitalise on new investment opportunities, however in challenging market conditions, the Group's focus must remain on its disciplined approach to investments and disposals with each expected to meet its investment hurdle rates.



**Balfour Beatty's competitive expertise to finance, develop, build and maintain infrastructure puts the Group in a strong position to capitalise on new investment opportunities."**

The Group is currently assessing investment opportunities in:

- › student accommodation: Across the UK and US, demand for student accommodation remains strong as universities continue to improve their facilities to attract students;
- › residential: Balfour Beatty continues to see attractive US multifamily housing come to market, providing opportunity to invest profitably in the regeneration of these properties;
- › US P3: The US has become an increasingly exciting market for public-private partnerships, and, to date, 41 states (plus DC) have passed legislation allowing P3 projects; and
- › energy transition: As the UK's energy mix transitions to more renewable sources, and the UK adopts more sustainable transport such as electric vehicles, there are opportunities for private sector investment.

In the UK, the Group has commenced construction of a new student accommodation project – the 1,899 bedroom West Slope development – on behalf of the University of Sussex. In addition to £171 million of wrapped bond financing raised through a private placement, Balfour Beatty will invest equity of £32 million, 81% of the project equity, with the University of Sussex as a co-investor providing the remaining 19%. The first new student accommodation and the health and wellbeing centre are expected to be open in time for the 2026/27 academic year, with more accommodation, catering and retail facilities opening over the following two years. The Group also remains preferred bidder on a further UK student accommodation project and is investigating opportunities to invest in off-campus student accommodation.

<sup>1</sup> Including share of joint ventures and associates, before non-underlying items.



In the US, the Group added a student accommodation project in Tallahassee, Florida to the portfolio and started construction on the William & Mary University project in Virginia, having completed the construction of the Vanderbilt University student accommodation project for which rentals started in the Fall 2023 semester.

In US military housing, the Group completed demolition works at Fort Carson as part of a proposed multi-phase project for the construction of new homes at the base, with the preparation phase of work underway. This project is an example of similar upgrade work opportunities likely to be required across the Group's military housing portfolio. The Group continues to work with the independent compliance monitor, who was appointed by the Department of Justice in 2021 and commenced work in 2022.

The Group continued its investment in the UK energy transition with entry into the on-street Electric Vehicle (EV) charging market, partnering with EV chargepoint company Urban Electric Networks to form Urban Fox. The partnership combines Urban Electric Networks' innovative and entrepreneurial spirit with Balfour Beatty's scale, while building on the Group's experience and longstanding relationships with local authorities. Urban Fox's innovative 7kW on-street chargepoint, which is installed into the pavement and fully retractable underground, is the first of its kind to the market.





**SCAN OR CLICK TO WATCH  
URBAN FOX'S CORPORATE VIDEO**



## Balfour Beatty enters the on-street electric vehicle (EV) charging market

In March 2023, Balfour Beatty Investments announced its entry into the on-street Electric Vehicle (EV) charging market with the formation of Urban Fox – a partnership with Urban Electric Networks, a British EV chargepoint operating company.

Urban Fox offers a whole life solution to EV chargepoints: funding, building, operating and maintaining a range of fast, rapid and slow chargepoints to local authorities.

Its innovative 7kW on-street chargepoint is the first of its kind to the market. Installed into the pavement, the unit is fully retractable underground when not in use, leaving pavements clutter free and accessible.

With 43% of British households without access to off-street parking, and the growing demand and uptake of electric vehicles, Urban Fox's quick installation and replacement process allows additional chargepoints to be easily installed as demand dictates.

Urban Fox supports local authorities to achieve the green targets set out in the UK Government's electric vehicle infrastructure strategy 'Taking Charge' by creating a sustainable, resilient and convenient network of chargepoints across the UK whilst supporting local authorities to meet the growing demand for accessible and reliable on-street chargepoints for the travelling public.

Find out more visit:  
[www.urbanfox.network](http://www.urbanfox.network).

## INFRASTRUCTURE INVESTMENTS

	2023 £m	2022 £m
Pre-disposals operating profit <sup>2</sup>	5	11
Gain on disposals <sup>2</sup>	26	70
Profit from operations <sup>2</sup>	31	81
Net investment income <sup>~</sup>	16	24
Profit before tax <sup>2</sup>	47	105
Non-underlying items	(4)	(5)
Statutory profit before tax	43	100

<sup>2</sup> Before non-underlying items (Note 10).

<sup>~</sup> Subordinated debt interest receivable, net interest receivable on PPP financial assets and non-recourse borrowings, fair value (loss)/gain on investment asset and impairment to subordinated debt receivable and accrued interest.

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section.



# Strong track record of value creation

**The Directors' valuation decreased by 6% to £1,212 million (2022: £1,291 million) due equally to a weakening of the US dollar against sterling and an increase in discount rates. The portfolio is 58% weighted towards the US (2022: 58%). The number of projects in the portfolio remained at 59 (2022: 59).**

Balfour Beatty invested £31 million (2022: £30 million) in new and existing projects, with UK investment focused on the Eastwick and Sweetwater redevelopment and US investment predominantly relating to the addition of a student accommodation project in Tallahassee, Florida. The West Slope student accommodation project at the University of Sussex, which reached financial close in December 2023, has now been included as a separate project.

Cash yield from distributions amounted to £48 million (2022: £89 million). Balfour Beatty continued disposals in the year with proceeds of £61 million (2022: £93 million). This comprised £56 million from the sale of its stake in Gloucestershire Waste PFI, and £5 million from the sale of the Moretti Apartments multifamily housing project in Birmingham, Alabama.

Unwind of discount at £87 million (2022: £85 million) is a function of moving the valuation date forward by one year with the result that future cash flows are discounted by twelve months less.

Operational performance movements resulted in a £1 million decrease (2022: £139 million increase). The operational performance movements in the UK were primarily due to a revaluation of a student accommodation project due to higher than forecast rental increases, and an increase in short term interest rates. In the US, the decrease arose in the US military housing portfolio due to increased insurance and independent compliance monitor costs, partially offset by higher annual rents.

The foreign exchange movement was a £43 million decrease, as sterling appreciated against the US dollar (2022: £85 million increase).

## PORTFOLIO VALUATION DECEMBER 2023

### Value by sector

Sector	2023 No. projects	2022 No. projects	2023 £m	2022 £m
Roads	12	12	168	171
Healthcare	2	2	129	126
Student accommodation	6	5	137	128
Energy transition	4	5	44	101
Other	2	2	31	22
UK total	26	26	509	548
US military housing	21	21	562	615
Student accommodation and other PPP	4	3	83	59
Residential housing	8	9	58	69
US total	33	33	703	743
Total	59	59	1,212	1,291

### Value by phase

Phase	2023 No. projects	2022 No. projects	2023 £m	2022 £m
Operations	55	55	1,164	1,239
Construction	3	3	46	47
Preferred bidder	1	1	2	5
Total	59	59	1,212	1,291

### Value by income type

Income type	2023 No. projects	2022 No. projects	2023 £m	2022 £m
Availability based	17	17	353	353
Demand – operationally proven (2+ years)	37	36	807	761
Demand – early stage (less than 2 years)	5	6	52	177
Total	59	59	1,212	1,291

### Methodology and assumption changes

The methodology for valuing most investments in the portfolio remains the discounted cash flow (DCF) method. Under this methodology cash flows for each project are forecast based on historical and present performance, future risks and macroeconomic forecasts. They also factor in secondary market assumptions. These cash flows are

then discounted using different discount rates, which are based on the risk and maturity of individual projects and reflect secondary market transaction experience. The main exception to the use of DCF is for US multifamily housing projects which, due to the perpetual nature of the assets and the depth and liquidity of the rental housing market, are valued based on periodic broker reports for each property.

## MOVEMENT IN VALUE 2022 TO 2023

£m	2022	Equity invested	Distributions received	Sales proceeds	Unwind of discount	Operational performance	FX	Changes to discount rates	2023
UK	548	9	(20)	(56)	38	15	–	(25)	509
US	743	22	(28)	(5)	49	(16)	(43)	(19)	703
Total	1,291	31	(48)	(61)	87	(1)	(43)	(44)	1,212

The valuation methodology used at the previous Directors' valuation is unchanged. The discount rates used for the valuation at 31 December 2023 have been increased to reflect changes in secondary market discount rates, which have progressively responded to increases in long term interest rates. As a result, the implied weighted average discount rate for the UK portfolio increased by 0.4% to 8.3% (2022: 7.9%) and the implied weighted average discount rate for the US portfolio increased by 0.2% to 8.1% (2022: 7.9%).

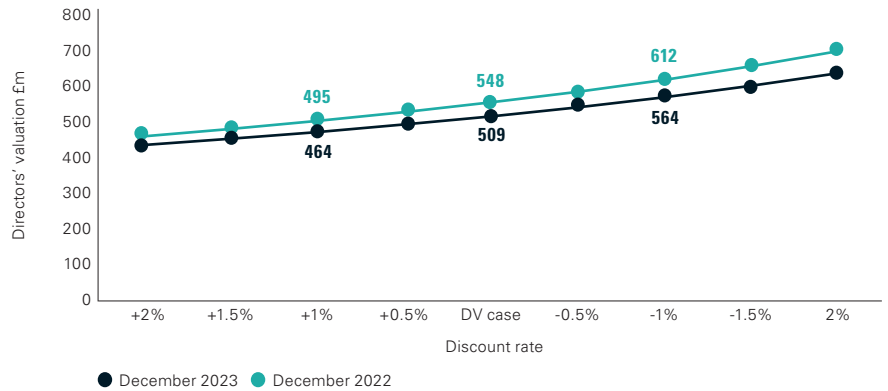
Discount rates applied to the UK portfolio range from 7.25% to 9.25% (2022: 6.75% to 8.75%) depending on the maturity and risk of each project. The implied weighted average discount rate for the UK portfolio is 8.3% (2022: 7.9%) and a 1% change in the discount rate would change the value of the UK portfolio by approximately £50 million.

Discount rates applied to the US portfolio range from 6.25% to 10.5% (2022: 6.0% to 10.5%). The implied weighted average discount rate for the US portfolio is 8.1% (2022: 7.9%) and a 1% change in the discount rate would change the value of the US portfolio by approximately £77 million.

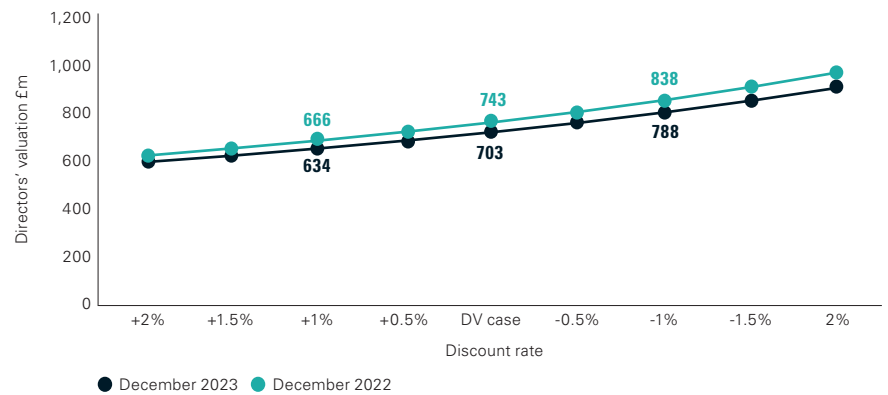
The portfolio remains positively correlated to inflation. A 1% change in the long term inflation rate in the UK portfolio would change the valuation by approximately £26 million and a 1% change in the long term rental growth rate in the US portfolio would change the valuation by approximately £75 million.

As in previous periods, the Directors' valuation may differ significantly from the accounting book value of investments shown in the financial statements, which are produced in accordance with UK-adopted international accounting standards rather than using a discounted cash flow approach. A full reconciliation is provided in section i) of the Measuring Our Financial Performance section.

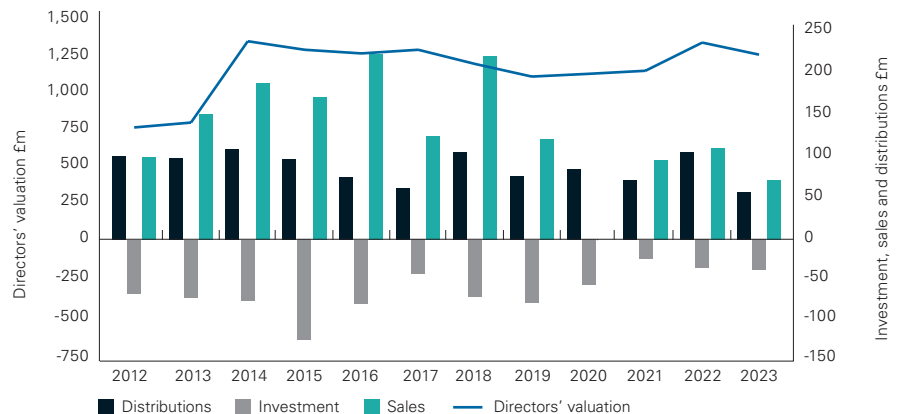
### UK PORTFOLIO VALUE AT A RANGE OF DISCOUNT RATES



### US PORTFOLIO VALUE AT A RANGE OF DISCOUNT RATES



### PORTFOLIO INVESTMENT, DIVESTMENT AND DISTRIBUTIONS







# Creating a safe and healthy workplace

**Making safety personal. Treating health like safety. Project by project, day by day.**

## Governance

Safe, one of our Build to Last Values, is fundamental to everything we do at Balfour Beatty. Sending our colleagues home safe and well at the end of every day will always be our number one priority.

Health and safety is a collective responsibility at Balfour Beatty. The Board's Safety and Sustainability Committee reviews the Zero Harm strategy, monitors progress against the strategy's performance indicators and ensures accountability. The health of employees is viewed as a key component of the Zero Harm strategy and mental health and wellbeing was a particular area of focus for the Committee in 2023.

The Group Health, Safety and Environment (HS&E) Forum has continued to drive innovation and best practice across Balfour Beatty's operations worldwide, culminating in the sharing of the Health and Wellbeing Maturity Matrix across the Group, and the successful launch of 'Let's Talk' sessions, a Group-wide engagement approach delivered impactfully at a local level.

However, while this approach to health and safety culture is led by the Board and the Executive Committee, it remains firmly embedded throughout the Group's governance model and leadership structures, with operational site supervisors invited to take part in Business Unit Safety, Health and Environment Leadership Team (SHELT) meetings helping to shape the Zero Harm strategy. The Executive Committee in turn drives the accountability for this strategy, working closely with the HS&E Enabling Function to identify areas of focus and

performance criteria, and reviewing any serious incidents where necessary.

Stuart Doughty CMG, Group Non-Executive Director, has chaired the Safety and Sustainability Committee for the past six years, and has been on the Committee for nine years. In this time, the Group has introduced a range of health and safety initiatives, such as Fatal Risk Working Groups, the Golden Rules, What3Things?, the Observation App, Zero Harm calendars and more, which have contributed to our performance improvement from a Lost Time Injury Rate (LTIR) of 0.31 in 2014, to 0.11 in 2023. These figures have real-life implications. In 2014, on average, one in three workers might experience a Lost Time Injury (LTI) at some point in their career. In 2023, that number has improved to one in nine workers.

## Performance

However, despite the Group's continued focus and efforts towards Zero Harm, two colleagues suffered fatal injuries on Balfour Beatty projects in 2023. On HS2, a subcontractor colleague was killed during a directional drilling operation, and at Aldermaston, a Balfour Beatty Ground Engineering colleague died during the cleaning of a concrete pumping system. Determined to learn the lessons from these tragic events, the Group established a new Stored Energy Fatal Risk Working Group, and is designing digitally-assured processes to improve controls over safety-critical activities. Our thoughts remain with the family, friends and colleagues of those who lost their lives.

## PERFORMANCE STATISTICS

### LOST TIME INJURY RATE

**0.11**

representing a 22% reduction in the number of injuries from 2022

### MAJOR INJURY RATE

**0.02**

representing a 21% reduction in the number of injuries from 2022

### ACCIDENT FREQUENCY RATE 3-DAY LOST TIME INJURIES

**0.08**

representing a 29% reduction in the number of injuries from 2022

### ACCIDENT FREQUENCY RATE 7-DAY LOST TIME INJURIES

**0.05**

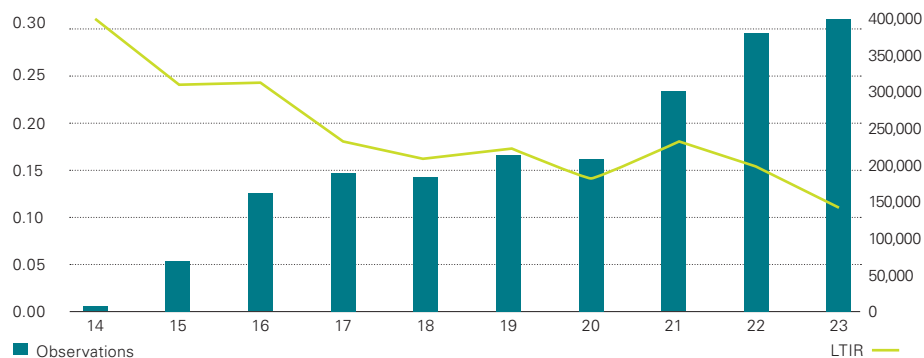
representing a 33% reduction in the number of injuries from 2022

While these two tragic incidents have rightly remained at the forefront of the Group's attention, through the continued hard work of colleagues across our business, the Group sent record numbers of colleagues home safe and well in 2023. Balfour Beatty's robust procedures and its Zero Harm culture, combined with strategic focuses on visible and active leadership, inspirational supervision, and digital safety, delivered record-breaking performance in 2023, reflected in the Group's lagging indicators. The Group (excluding international joint ventures) saw its LTIR, Accident Frequency Rate for 3-day lost time injuries and 7-day lost time injuries (AFR3 and AFR7) and major injury rate all drop to record lows in 2023. Overall, the Group's LTIR, excluding international joint ventures, was 0.11. This performance was delivered across 104 million worked hours, up from 95 million in 2022, whilst reducing the number of LTIs from 150 (2022) to 117 (2023).

Indeed, hundreds of projects and multiple business areas across the Group achieved Zero Harm in 2023. In the US, Balfour Beatty recorded its best-ever performance in every single one of its lagging indicators, a testament to the hard work and dedication of its teams, reducing its LTIR to 0.10, down from 0.14 in 2022. In the UK, Balfour Beatty Kilpatrick, Regional Scotland, Balfour Beatty Living Places, Omnicom Balfour Beatty, Balfour Beatty Homes and Balvac all celebrated achieving Zero Harm, going a year without an LTI, with the UK as a whole achieving a record low LTIR in a non-COVID-19 year.

Underpinning these substantial improvements is our health and safety culture, demonstrated by another year of higher than ever rates of observations, standing at almost 400,000 in 2023. This has worked in conjunction with our back-to-basics focuses on our What3Things?

## LOST TIME INJURY RATE AND OBSERVATIONS

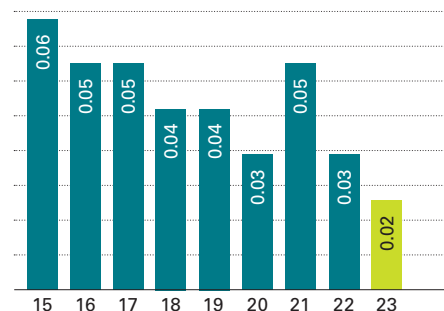


Pre 2022 LTIR adjusted upwards in 2022 report, following internal reclassification of incidents within one business area. Excluding international joint ventures.

approach and initiatives such as our Slips, Trips and Falls focus area in the UK, which reduced these types of incidents by 30% in 2023, compared to 2022.

Whilst these positive trends reflect a great deal of hard work and determination, the two fatal incidents in 2023 are stark reminders against complacency. Committed to driving uncompromising standards and behaviours, the Group rolled out new health and safety KPIs to its supply chain in 2023, working to ensure that everyone who walks onto a Balfour Beatty site goes home safe and well.

## MAJOR INJURY RATE



Excluding international joint ventures.

## Saratoga Springs US military housing Navy base achieves 15 years of Zero Harm

In December 2023, Balfour Beatty Communities' Saratoga Springs team achieved an exceptional safety milestone as they celebrated 15 years without an LTI. Over the years, the team has maintained an unrelenting commitment to achieving Zero Harm.

Philip DeFilippo, Facility Manager at Saratoga Springs for the last 19 years, said: "All I want to see is our employees go home safe every day, and to ensure this is accomplished, I will accompany team members when they are completing tasks just to make sure everything is okay and see if they need any help to get things done in a timely and safe manner. After about 20 years working at Saratoga, we are a family and we look out for each other."





## Q&A with Richard Ryan, Senior Vice President for Health and Safety, Balfour Beatty US

### Leading the industry on health

Balfour Beatty is committed to treating health like safety, going beyond compliance, and improving health standards across the industry. In 2023, Balfour Beatty entered the third year of its Health and Wellbeing (H&W) strategy which is underpinned by the H&W Maturity Matrix (HMM). The matrix tool empowers project teams to benchmark their performance against industry best practice, and to create bespoke plans to improve health and wellbeing based on their specific site teams, conditions and challenges. The HMM is tracked by quarterly returns through the project portal. This details the project's status against pre-defined criteria (beginner, committed, established, leader).

In 2023 Balfour Beatty's health priorities were on good welfare and effective health risk management, focusing on elimination, occupational health interventions and monitoring. Data capture has also been a key focus and 2023 saw the release of the health performance dashboard, which gives insights and improvement performance metrics and opportunities. In 2024, 'Deliver Wellbeing' has been identified as one of eight strategic health priorities as Balfour Beatty continues to embed its holistic approach to health.

Balfour Beatty is committed to improving industry standards. Therefore, the HMM tool was shared across the UK supply chain and the Balfour Beatty Group. It was also released to industry following a British Occupational Hygiene Society (BOHS) webinar co-hosted by Balfour Beatty for BOHS and Health in Construction Leadership Group (HCLG) members.

Providing individual sites and projects with the tools they need to control risk is a vital part of Balfour Beatty's journey towards Zero Harm and so in 2023, Balfour Beatty launched a new Health Management Procedure (HMP) which documents the requirements for the assessment and control of workplace hazards. However, Balfour Beatty recognises that when digital processes are used to support risk management processes, risk can be identified, monitored and controlled more effectively. Therefore, a key priority was also to incorporate digital procedures into health processes to improve health risk management.

As part of this, a new, bespoke, project-level Health Risk Assessment tool has been designed and built into the HMP to assist projects in setting out a formal, structured process for the management of any identified health risks. Crucially, the tool will provide a vehicle for outlining the control and verification measures required, including any task-based or site-specific risk assessments.

### Q What does Zero Harm mean to you?

I think less about the term Zero Harm and more about the vision. I believe practitioners should be committed to their personal health and welfare, as well as that of others. Colleagues should carry this sentiment with them every day they work for us, and even pack it up and take it with them when they return home each night. I see Zero Harm as the cornerstone of our business and the reason why we can function at the level of operational excellence that we do. I hope that employees are convinced of its importance and take its teachings with them wherever they go.

### Q Why is collaboration across the Group important if we are to achieve Zero Harm?

The Group has a remarkable amount of experience in safety. We are a large organisation delivering a variety of projects including buildings, transportation, complex engineering and utilities. Our processes have been developed all over the world by our best and brightest. And although our name and brand are global, with a range of geographies, languages and cultures, there is a simple connection we all share: we place the welfare of people at the core of our culture. When I hear of a safety setback or success anywhere in Balfour Beatty, I always think in terms of the wider 'us'. We need to help each other across our businesses – indeed, we need to collaborate better as an industry – and work together to defeat a common foe and the threat it represents to our people and our industry every day.

### Q You've had a year of excellent performance across Balfour Beatty US – what do you attribute this to?

I attribute a lot of our success to our discipline, our processes, accountability and consistency. I believe the groundwork for the results we have seen over the last handful of years was put in position over the last decade. Every year is a point on the safety curve documenting continued improvement with leading and lagging indicators such as LTIR. That translates into hundreds of additional workers annually returning home to their families safe and well.

### Q What are your health and safety focus areas in 2024?

The road ahead for us in 2024 is captured primarily in two areas: analysis-based, targeted, digital safety solutions and engagement through our operational leadership.

We will deploy the safety observation process in a pinpoint manner, based on analysis of the Occupational Safety and Health Administration's 'fatal four' risks, to intervene and drive safety outcomes in these areas. Using technology successfully deployed in our UK business, we will also focus on the elimination of events involving a high potential for injury, such as below-grade utility strikes.

Our operational leaders have taken on a larger role and partnered with safety professionals to further drive safety through to the workforce. This effort will be augmented by a renewed call for our trade partners to provide Competent Persons who not only have higher technical skills, but also the appetite to engage fully on safety.







**Your submission stood out for its exceptional quality, originality, and passion to make a significant impact in the mental health sector. Your dedication and hard work have truly paid off, and we are thrilled to recognise your efforts.”**

Mates in Mind Awards judging panel

The tool is available digitally, allowing more efficient record keeping and better user engagement to support Zero Harm.

Finally, Balfour Beatty is committed to leveraging its industry position to influence customers and other contractors to adopt a proactive approach to health and to establish common, consistent practices and ways of working, through its involvement in communities such as the Tier 1 Health and Safety Forum, the Supply Chain Sustainability School and HCLG. Balfour Beatty continues to co-chair HCLG, and also chairs both its mental health and respiratory health working groups.

### Mental health

The four Golden Rules are the cornerstone of our Zero Harm vision, and the Group’s focus on ‘Be Fit for Work’ applies equally to physical and psychological health.



SCAN OR CLICK TO READ MORE ABOUT OUR FOUR GOLDEN RULES

Balfour Beatty has created a solid and holistic mental health programme which was recognised at the 2023 Mates in Mind Awards where Balfour Beatty won the Best Overall Workplace Mental Health Programme award. Balfour Beatty is focusing on proactive mental health initiatives and has an unwavering commitment to investigate the root causes of poor mental health. This work was supported by an investigation paper from 2022 which looked at previous lessons learnt. Balfour Beatty is now rolling out a programme to deliver ISO 45003 (Psychological Health and Safety at Work) in 2024 which will improve the way psychological health and psycho-social risk factors are embedded into the fabric of the organisation through policy, process and operating systems.

Balfour Beatty continues to provide reactive support when required through the Employee Assistance Programme and the mental health first aider network. This approach has been rolled out across the Group, with Gammon leading the industry within its operating area by training 114 mental health first aiders. In the UK, Balfour Beatty maintains its Manage the Conversation, Start the Conversation, and Listen, Support and Signpost training. However, it recognises that the supervisor community remains a vital first line when monitoring mental health in the workforce and specific wellbeing and health training has been added to the Supervisor Passport. For more information see our ‘Digital safety’ section on page 50.

In the UK, Balfour Beatty marked Mental Health Awareness Week (MHAW) with a campaign on the week’s theme of anxiety. A series of webinars and panel discussions attended by various guest speakers including representatives from Mates in Mind, the Lighthouse charity and Mental Health Runner were held on related topics including how to identify and support someone experiencing anxiety. Webinar and panel discussion attendance increased by 64% since 2022, with 98,855 social media impressions recorded during the campaign, an increase of 23.3% from 2022, evidencing the increasing interest in the topic.

During MHAW, in an industry first, Balfour Beatty launched its bespoke trauma support guidance, ‘Supporting you through trauma’. The material provides personal, practical and mental health support alongside procedural guidance to support colleagues who have experienced stressful situations, providing them with both pre-emptive and post-incident support, and includes specific guidance for line managers to ensure they feel equipped to assist their teams following a traumatic incident. Across the Group, 94% of employees who responded to the 2023 employee engagement survey said that they felt cared for at Balfour Beatty.

## Q&A with Cath Melvin, Project Wellbeing Adviser

**Q What does mental health and wellbeing mean to you?**

For me, mental wellbeing is about feeling good about yourself and being able to care for yourself and others. Positive mental wellbeing doesn’t mean that you’re always happy or unaffected by your experiences. It means that you’re able to care for yourself, love yourself, and see yourself as a valuable person in your own right.

**Q What have you done on your project to support wellbeing?**

On the Sellafield Box Encapsulation Plant project, we’ve looked in depth at the real issues that face the people we work alongside. We’ve fostered a community where our team genuinely trust and care for each other and we’ve made some fabulous connections to ensure we have the best access to support both from our organisation and in our local community.



AT THE BEATING HEART



### Wellbeing on the Port Ann to Crossaig overhead line project

On phase two of SSEN Transmission's Port Ann to Crossaig project, over 200 Balfour Beatty colleagues delivered key overhead line infrastructure in the Scottish Highlands, where the terrain, weather conditions and project's remote location presented challenges to wellbeing.

The project team understood that encouraging employees to stay active, particularly during winter, boosted wellbeing, and team social activities helped people cope with feelings of loneliness that sometimes arose from

working in such remote environments. Therefore, a wide range of activities were organised to help people socialise, get active and relax, including surfing, fishing, go-karting and hiking. Weekly yoga sessions were particularly popular and provided colleagues with an excellent opportunity to relax.

The nature of the project meant that it was difficult to inform everyone what was going on, as colleagues were spread across the project site. Therefore, the team created a community webpage to allow them to communicate with everyone on the project and a QR code linking directly to the page was located in all welfare vans and cabins.



## Inspirational supervision

Balfour Beatty remains committed to investing in the supervisor community, including joint venture and supply chain supervisors. The purpose of the Inspirational Supervision Delivery Group is to embed a high-standard health and safety culture consistently across Balfour Beatty by focusing on competence, communication and community to establish a pipeline of supervisor talent for the future.

In 2023, Balfour Beatty prioritised training and development. 66% of supervisors in the UK have completed the Supervisor Passport, a two-stage, online training scheme covering key competencies to ensure supervisors set people to work safely. The passport was rolled out to the supply chain in November 2023 and will continue to be embedded in 2024. The use of digitally-supported training and controls facilitates the effective management of competency and process discipline. 37 supervisors have also completed the Supervisor Development Programme, an ILM3 accredited course, bespoke to Balfour Beatty, designed to support career development that supervisors can apply for upon completion of their mandatory training.

Balfour Beatty has focused on empowering supervisors by breaking down barriers to the digital world and improving supervisory communication channels. An online supervisor hub was launched in the UK and US on the internal Sharepoint in March 2023 and has already received over 5,200 visits. The site contains supervisor-specific information including access to Business Management System resources, training and an online supervisor community hosted on Viva Engage.

The UK Supervisor forum continues to bring together supervisor representatives and joint venture partners from across the business. In addition, supervisor-led Business Unit (BU) forums reach 670 supervisors. Led by supervisor champions, they share knowledge and expertise at BU Safety, Health and Environment Leadership Team (SHELT) meetings and workforce consultation meetings. Work continues to set up supervisor-led BU forums in the remaining BUs.

In 2024, the priority is to standardise the supervisor approach across all UK BUs, joint ventures and supply chain partners; to incorporate supervisory input within different stages of the Gated Business Lifecycle; and to pilot this approach in the Group's other geographies.

Our Group-wide focus on inspirational supervision saw Ramalingam Saravanan, lead workplace safety and health co-ordinator in Gammon, win both the Workplace Safety and Health (WSH) award for supervisors and the

individual Singapore Contractors Association Limited (SCAL) award, for his dedication to ensuring the safety and wellbeing of team members. At the Lighthouse Club Hong Kong Contractor Safety Awards in May 2023, Tsang Tsz Yan won the Site Safety Practitioner Silver award, while Alan Mo Yuk Lun won the Project Leader Champion award and Tam Ka Hing Gary won the Safety Foreman Champion award.

## Impactful communication

What3Things?, a practical tool for site colleagues outlining safety measures for 10 fatal risks, has been fully embedded across the UK businesses. During the Group's annual safety month of September, the UK focused on small-scale, impactful local conversations that were led by the site teams and supervisory community through the Let's Talk campaign. The outputs of the Let's Talk events were overwhelmingly positive, and the feedback will help inform Balfour Beatty's health and safety approach moving forwards. In the US this coincided with National Suicide Prevention Awareness Month which Balfour Beatty observed by hosting Question, Persuade and Refer Gatekeeper training sessions.

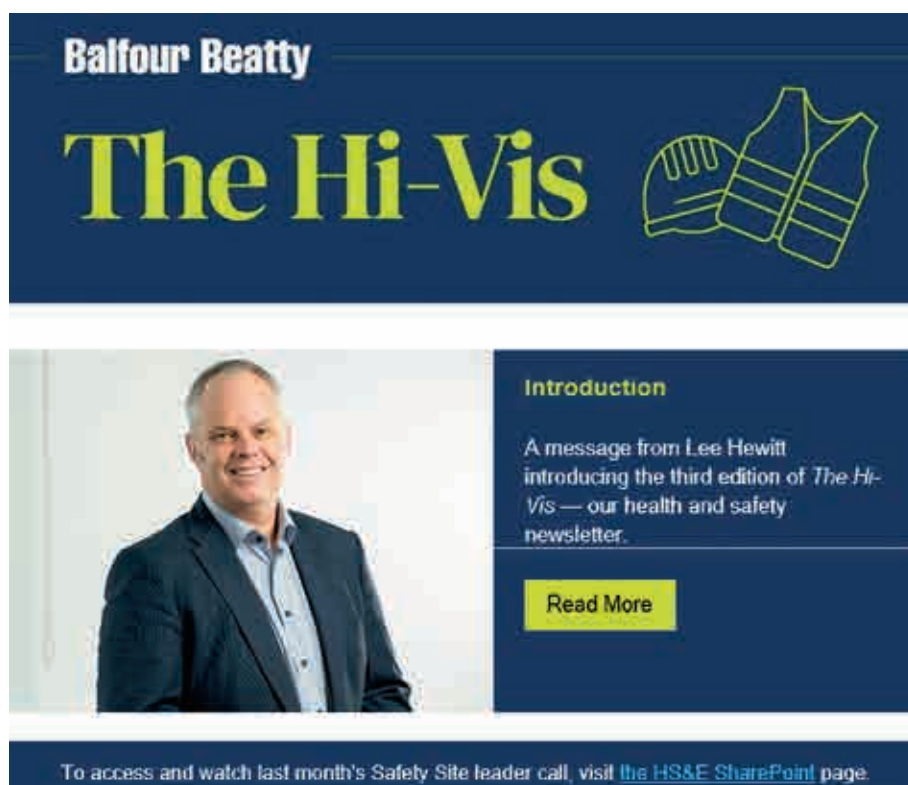


SCAN OR CLICK TO LEARN MORE ABOUT WHAT3THINGS?

## The Hi-Vis

Balfour Beatty understands that as Zero Harm leaders, site leaders are vital to keep people safe and well and that effective engagement is vital to drive performance and reduce incident rates. The Hi-Vis is a bi-monthly health and safety newsletter aimed primarily at site leaders in the UK, but shared across the Group where appropriate, which provides them with the resources they need to keep people healthy and safe and to share learnings across the business. Balfour Beatty recognises that effective engagement is a key driver of performance and incident reduction.

Balfour Beatty identified that while incident learnings were shared at a local and BU level, learnings were not always effectively disseminated across the whole business. This constituted a missed opportunity to learn from the past to reduce the risk of similar incidents. Therefore, the highlight of each newsletter is lessons learnt animated videos which bring incidents to life in an engaging way and provide projects with discussion points when planning work activities. As a direct communication to site leaders, the Hi-Vis constitutes the missing link between local learning and corporate memory. Each edition is stored online, in a repository of learning that will aid projects now and in the future.



ABOVE Example of The Hi-Vis e-newsletter.





### Digital safety

Committed to being an innovative leader in the world of health and safety, Balfour Beatty launched a programme of digital safety initiatives in 2023. These included the roll-out of human form recognition cameras, and a series of digitised tools for ensuring greater control and governance of safety-critical processes.

Launched in the UK, the Supervisor Passport, a series of training modules and competency checks for supervisors, has been digitised. This approach has assigned the passport to each supervisor's digital site access identity. This has helped identify and support the training and development needs of site supervisors, as well as providing assurance of the competencies of our supervisory community. The passport approach, and the digitisation, are helping to drive the recognition of site supervision as a career, rather than a role.

Balfour Beatty has also worked to implement digital solutions for permit-controlled activities, which drive process compliance, and minimise interface delay and handover time. Timestamps, the ability to use photographic evidence, digital signatures and seamless document synchronisation via cloud software, all combine to provide

greater levels of transparency and document control. Further projects explored in 2023 include methods of digitising setting to work processes, and tools to add additional digital assurance and oversight of some safety-critical activities.

Looking to remain a proactive, learning-focused organisation, Balfour Beatty is keen to leverage technological solutions wherever possible. One such solution is SafetyPulse, an AI-powered solution which analyses leading and lagging data, including observations, incident information and other project details, and identifies risk factors for projects and types of incident. Another such solution is new exoskeletons on the Harkers Island Bridge replacement project in North Carolina, which aim to reduce injuries by minimising fatigue and providing a support mechanism for the shoulder joint when conducting overhead work, also boosting efficiency.



**ABOVE**  
Exoskeleton in use on the Harkers Island Bridge replacement project in North Carolina.

### Gammon wins Geographic Information Systems Award

Gammon won the esteemed 2023 special achievement in Geographic Information Systems award for their GTwin technology. GTwin is Gammon's Smart Site Management System that leverages digital technologies to boost site management efficiency and enhance safety. It amalgamates various construction data sources including the most recent Building Information Model, data streams from computer vision, site progress and environmental data, third-party app data, and smart device data.



**CLICK OR SCAN TO READ MORE ABOUT OUR SAFETY INNOVATIONS**



### INNOVATION IN SAFETY

## Human form recognition

People plant interface is one of the most prevalent fatal risks in construction. As part of ongoing work to eliminate the fatal risks, Balfour Beatty is working to mandate the use of human form recognition (HFR) cameras on different types of mobile plant, including, but not limited to, telehandlers, crawler cranes and piling rigs.

HFR cameras are a multi-camera system, installed on mobile plant, which detect the human form and proactively communicate this detection visually and audibly to the plant operator. Where appropriate, the system will also alert pedestrians that they have been detected.

The HFR cameras will be used alongside existing control and risk mitigation measures as an additional layer of protection for the workforce

and members of the public. Data from HFR cameras will enable supervisors and management to develop a clearer picture of the risk profile of site operations. Indeed, the embedding of this technology into the new Managed Service Desk, a Balfour Beatty initiative delivered in conjunction with AECOM and Anglian Water, which provides insights into operators' and site workers' behaviour and enables proactive identification and resolution of potential hazards, saw Balfour Beatty win a British Construction Industry award for Health, Safety & Wellbeing Initiative of the Year. Balfour Beatty has collaborated with supply chain partners to agree a set of standards around the use of HFR cameras, which it will be progressively rolling out in 2024 and 2025 across its supply chain.



**ABOVE**

This is an example of the capture of data from HFR cameras which enables us to pinpoint and eradicate people/plant interface risks.

## Balfour Beatty Living Places introduces body-worn cameras to combat roadworker abuse

To enhance the safety and wellbeing of our roadworkers, Balfour Beatty Living Places introduced body-worn cameras for public-facing teams following an alarming increase in incidents of verbal harassment, threats and physical assault against roadworkers while carrying out their essential duties.

National statistics provided by Safer Highways suggest that one in 10 roadworkers have been subjected to physical abuse in the last year, with one in five reporting having missiles, such as litter and bottles, thrown at them. In the most serious incidents, workers have reported cars being deliberately driven through cones and barriers towards them.

And the risk is not limited to physical injuries. Two-thirds of workers said they have been verbally abused by passing motorists and one in four roadworkers have suffered with mental health issues as a result.

Recognising the urgent need for action, body-worn cameras are currently being trialled on Balfour Beatty Living Places' highways contract in Southampton. The idea to make bodycams compulsory as part of the standard toolkit came through our Balfour Beatty Living Places' safety-focused My Contribution campaign.

Balfour Beatty is encouraging the workforce to report all instances of abuse, and has introduced a new category in the Observation App specifically for abuse. The data will help us understand the scale and nature of the problem so that the business can develop solutions to reduce worker abuse. We are also providing conflict management training for teams in public-facing roles.

This initiative is just one part of Balfour Beatty Living Places' wider commitment to ensure the safety and wellbeing of its workers, as they play an essential role in maintaining and improving infrastructure around the country.



**It's one of the best things we've implemented; working in residential areas, they're a must. 98% of the time, when I've told a member of the public I'm activating my camera, it de-escalates the situation."**



**Brenton McLean**  
Supervisor, Balfour Beatty Living Places



AT THE BEATING HEART

## Fire safety

Balfour Beatty is committed to improving fire safety. The business has continued to proactively respond to changes in fire legislation and guidance and recognises the importance of leadership engagement, strong compliance, and effective training and awareness provision. A Fire Safety Leadership Team has been established to bring together representatives from each part of the UK business to share insights and relevant information and acts as a point of contact for senior leaders to understand performance.

Work has also continued to improve compliance, and so a new digital tool has been introduced in our project portal system

to allow each workplace location to self-assess against key criteria on events and legal requirements. The data will feed into a live dashboard and provide a detailed reporting capability for each location and business unit. In 2024, data-driven digital insights will be vital to facilitate continued improvement and development.

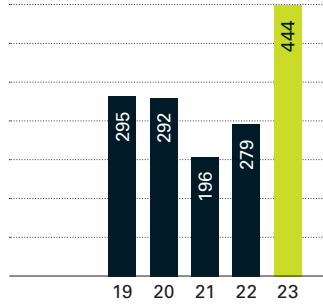
Balfour Beatty is committed to improving fire safety across the industry and so established, and now chairs, a national forum for Tier One construction leaders which aims to develop a consistent fire safety management approach across the industry. The forum intends to enhance the role of fire safety co-ordinators, and to look at how we can provide the right tools through procedures and guidance which support projects to improve the safety of all.



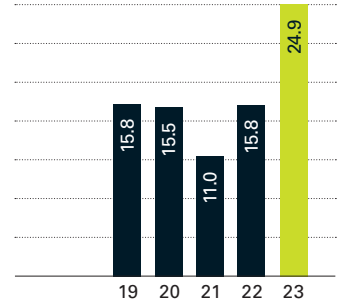
# Doing the right thing

Every day we are trusted by customers, business partners and the communities we work with and for, to do the right thing, make a difference and to behave responsibly. That includes treating each other fairly, respecting our business partners and caring for our communities – leaving a legacy of which we can be proud. It also means being transparent and acting with integrity.

NUMBER OF SPEAK UP HELPLINE CASES



NUMBER OF CASES PER 1,000 EMPLOYEES



## Ethics programme

Under the oversight of the Board, the Ethics and Compliance Programme consists of a framework of enterprise-wide and Strategic Business Unit-specific policies, procedures, guidelines and responsibilities designed to:

- ▶ promote and foster an organisational culture of integrity, ethical decision making and compliance with Balfour Beatty’s values and behaviours as reflected in our Cultural Framework;
- ▶ assure that employees conduct business with the highest standards of ethics and integrity and in compliance with all applicable laws and regulations; and
- ▶ promote appropriate risk assessment and due diligence to prevent and detect unlawful and unethical conduct.

During 2023, a Group Ethics and Compliance Programme Charter was formally adopted to further drive consistency of practice across the Group.

Externally-led ethics and compliance risk assessments were also completed across UK and US operations to identify, prioritise and assign accountability for managing existing and potential threats related to ethical misconduct and non-compliance. Targeted recommendations arising from the assessments have been incorporated into workplans for implementation during 2024.

Work to improve Group-wide ethics and compliance systems continues with the implementation of a new ethics helpline. Design and roll-out of new disclosure registers across the Group is planned for 2024.

In relation to the US military housing business, Balfour Beatty continues to co-operate with the US Department of Justice and is now in the second year of a monitorship entered into on 6 September 2022.



SCAN TO FIND OUT MORE ABOUT OUR CODE OF ETHICS PROGRAMME

## Speak Up helpline

Fostering a speak-up culture, where employees feel empowered to raise concerns without fear of retaliation, is essential. Balfour Beatty actively encourages speaking up in the event of a question or concern and provides a variety of channels through which employees and stakeholders may do so, including a confidential, third-party managed Speak Up helpline. The 2023 employee engagement survey showed that 74% of responding UK and US employees felt empowered to raise concerns and speak up without fear of negative consequences.

In 2023 a total of 444 Speak Up reports were received across the Group, an increase of 59% from 2022. We view this as a positive trend attributed in large part to improved employee awareness of doing the right thing and the importance of speaking up, together with progress made in rolling out the Right to Respect approach; see page 76 for more information.

Substantiated cases saw an increase to 39% in 2023 (2022: 23%). Employee conduct constituted the majority of cases received, accounting for 51% of all cases in 2023 (2022: 45%), followed by cases relating to fraud, deception and dishonesty (22%) and other Code of Ethics violations (11%).

Confirmed breaches of Balfour Beatty’s Code of Ethics may result in disciplinary action, including termination of employment for serious breaches, with 55 individuals leaving the business during 2023 following substantiation of a Speak Up case.

A substantiated breach by a supply chain partner of our Code of Ethics or Supplier Standards may result in termination of their contract.

## Improving industry standards

The Group plays its part in supporting others too and strives to help improve ethical business standards across the industry, regularly interacting with and supporting industry bodies for ethics such as the Institute for Business Ethics and the Business Ethics Leadership Alliance.

Find out more information on Balfour Beatty’s approach to modern slavery on page 67.



SCAN OR CLICK TO READ THE GROUP’S MODERN SLAVERY STATEMENT



# Being a responsible taxpayer

**This tax strategy has been prepared and published in accordance with paragraph 16 (2), Schedule 19, Finance Act 2016, on behalf of Balfour Beatty plc and all UK tax resident entities in the Balfour Beatty Group.**

## Being a responsible taxpayer

Balfour Beatty recognises that paying taxes arising from its activities is an important part of how it supports the communities in which it operates. The Group makes a major contribution to the tax revenues of governments in the numerous territories in which it operates. For example, the Group's tax contribution extends considerably beyond corporation tax and the collection of substantial amounts of income tax and includes the payment of significant employer social security contributions.

The Group's tax strategy, approved by the Board, is to sustainably minimise tax cost whilst complying with the law. In doing so, Balfour Beatty ensures it acts in accordance with its Cultural Framework, which provides a simple and clear view of the purpose, values and behaviours of the Group's Build to Last strategy. The Group aims to meet all legal requirements, filing all appropriate tax returns and making tax payments accurately and on time. The Group's tax strategy applies to all territories in which it does business.

## Tax governance

Balfour Beatty has clear tax policies, procedures and controls in place which are overseen by the Chief Financial Officer.

A dedicated internal tax team, led by the Group Head of Tax, is responsible for the implementation of the Group's tax strategy and supporting tax policies. Members of the tax team are highly experienced with appropriate professional qualifications and experience which reflect the responsibilities required for their roles.

## Tax risk appetite

The Group manages its tax affairs in a proactive manner that seeks to maximise shareholder value and as such utilises tax incentives or opportunities for obtaining tax efficiencies where appropriate and where they support genuine commercial activity. The Group does not enter into artificial arrangements that lack commercial purpose in order to secure a tax advantage. The aim is to ensure full compliance with all statutory obligations and as a consequence attempt to minimise risk wherever possible.

In keeping with the Corporate Criminal Offence of Failure to Prevent the Facilitation of Tax Evasion legislation, Balfour Beatty does not tolerate tax evasion or the facilitation of tax evasion. Balfour Beatty applies appropriate procedures and controls which seek to prevent any person acting on its behalf from facilitating tax evasion.

## Managing tax risk

There are a number of factors that affect the Group's tax risk and these arise both internally and externally. Balfour Beatty's ability to control these factors varies and its internal tax team works to minimise these risks to an acceptable level. For example:

- new and developing tax legislation is monitored and where it is relevant Balfour Beatty participates in consultations issued by the tax authorities. When new or changed legislation is announced, the impact on the Group is assessed and active measures are taken to ensure there are adequate processes in place to comply with any change;

- tax risks in relation to compliance and reporting are managed by meeting regularly with professional advisers, industry groups and the tax authorities to both keep abreast of changes in these areas and to seek information on new systems and software; and
- risk in relation to tax in general is managed by the internal tax team and if a position is uncertain the Group may obtain third-party advice in order to gain clarity or support for a particular stance or approach.

Any tax risks are included in the Group Risk Register as part of Balfour Beatty's Group-wide approach to risk management.

## Interaction with tax authorities

Balfour Beatty's approach to its tax affairs is supported by an open, honest and positive working relationship with the tax authorities, with regular dialogue. Should any dispute arise with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving it in an open and constructive manner.



# Building New Futures

## Introduction

In 2023, Balfour Beatty has shifted its approach to sustainability, moving beyond environmental compliance and carbon reduction, to further integrate sustainable practices to support delivery of Balfour Beatty's business strategy.

This shift has translated into consistent performance aligned to our Building New Futures strategy. We have continued to invest in new technologies, fuels and operational methods. Our transparent approach is evident in the publication of a diary, Towards a Zero Carbon Construction Site, where we openly discuss both successes and challenges faced in adopting sustainable solutions such as electrified plant equipment and hydrogen fuel cell technology.

**SCAN OR CLICK TO READ OUR LATEST 'TOWARDS A ZERO CARBON CONSTRUCTION SITE' DIARY ENTRY**

In keeping with the commitment outlined in the 2022 Annual Report, Balfour Beatty has developed its decarbonisation pathway, aligning with the goal to cap global warming at 1.5°C, and submitted both near- and long-term targets for validation by the Science Based Targets initiative (SBTi). We anticipate validation from the SBTi in 2024.

During 2023, we have continued to evaluate our sustainability performance against our sustainability targets and ambitions, with a dedicated focus on achieving net zero, reducing waste and fostering social value creation. The materiality assessment conducted by the Group in 2020 identified these as the foremost sustainability related financial and/or environmental risks to the Group.

## Our Building New Futures sustainability strategy

	ENVIRONMENT	MATERIALS	COMMUNITIES
	Responding to climate change and managing our impact on the environment	Choosing the right materials, using less materials and creating value from the materials we no longer need	Improving the prosperity and wellbeing of individuals and communities
<b>2040 AMBITIONS</b>	<b>Beyond Net Zero Carbon</b>	<b>Generate Zero Waste</b>	<b>Positively Impact More than 1 million People</b>
<b>2030 TARGETS</b>	Achieve our science-based carbon reduction target	40% reduction in waste generated	£3bn social value generated
Local Sustainability Action Plans			

**SCAN OR CLICK TO READ OUR SUSTAINABILITY STRATEGY IN FULL.**

## HOW WE MANAGE SUSTAINABILITY

### Safety and Sustainability Committee

The Safety and Sustainability Committee reviews the Group's sustainability strategy, monitoring progress and ensuring accountability at Board level.



### Executive Committee

The Executive Committee has overall responsibility for setting the Group's sustainability ambitions and targets.



### Strategic Business Units

Each Strategic Business Unit (SBU) has a sustainability director who is responsible for the Business Unit (BU) sustainability leads and project-based sustainability teams. The BU sustainability leads are responsible for developing bespoke Bridging the Gap plans (see page 55) aligned to the Group's 2030 targets and 2040 ambitions. The SBU sustainability directors have overall accountability for these plans.



### Internal audit and external assurance

Internal audit teams review performance against the Group's sustainability strategy. PwC LLP is engaged by Balfour Beatty to provide independent limited assurance over the reporting of social value, and the Group's Scope 1 and 2 Greenhouse Gas (GHG) emissions.

## In conversation with Jo Gilroy, Group Sustainability Director

### Q What is Bridging the Gap?

At times, sustainability can seem complex and overwhelming. The vocabulary is unfamiliar, it's moving at a fast pace, and it can be difficult to pinpoint exactly where to start. That's why, across Balfour Beatty, we need to cut through the complexity – to simplify, prioritise and consolidate our approach. We need to 'bridge the gap' between the targets and ambitions set out in our Group-wide sustainability strategy, Building New Futures, and the actions required to get there. Bridging the Gap is a framework which has informed the action plans we've developed with each of our Business Units to focus our efforts where we can have the biggest impact and chart a course to deliver our targets and ambitions. Adopting a uniform approach will also support best practice and encourage greater collaboration across our organisation. Bridging the Gap sets out minimum expectations of sustainable leadership, carbon, materials, communities and biodiversity.

### Q What work did you undertake to inform the Bridging the Gap framework?

During 2023, the sustainability leadership team, which comprises environmental, social impact and sustainability expertise across the Group, conducted a review of the sustainability topics that are most significant to Balfour Beatty. This informed the framework for our Bridging the Gap action plans. The key changes from the initial assessment conducted in 2020 were an increase in the importance of biodiversity, protecting human rights and a need to focus on how we embed sustainability further into the business. We're in the process of engaging wider stakeholders to inform the evolution of our approach in these areas.

### Q Why is sustainable leadership a key area to Balfour Beatty?

Sustainability is a business movement; it needs to be embedded in how we do business and is everyone's responsibility. The leadership section in the Bridging the Gap framework is paramount to setting out how we are going to deliver on our sustainability targets and ambitions by building a robust sustainable mindset across our workforce. We have agreed a series of leadership principles with our businesses and progress is reviewed as part of the quarterly business review process.



AT THE BEATING HEART



SCAN THE QR CODE TO READ MORE ABOUT  
OUR APPROACH TO SUSTAINABILITY AND  
TO EXPLORE OUR BEST CASE STUDIES







## Beyond Net Zero Carbon

In its sustainability strategy, Building New Futures, published in 2020, Balfour Beatty set out its 2030 target to achieve its science-based carbon reduction target and a 2040 ambition of going Beyond Net Zero Carbon on an absolute reduction basis.

During 2023, the Group has continued to work towards this target and ambition. In late 2023 Balfour Beatty submitted Science Based Targets and a related carbon abatement plan, aligned with the 1.5°C global warming limit, to the Science Based Target initiative (SBTi) for validation, which is expected during 2024.

As part of developing the SBTi submission, Balfour Beatty has revisited the assessment of organisational and operational control boundaries, this is detailed on page 58 and 59. This has led to a restatement of previous years' performance.

In 2023 we achieved a 2% reduction in the Group's absolute carbon emissions, and a 7% reduction in carbon emissions intensity, using the market-based methodology.

### 2023 actions to cut emissions

- ▶ Bridging the Gap action plans: to support our UK Business Unit action plans which have a strong focus on carbon reduction, the Group has mandated low-carbon solutions including the use of EcoSense cabins and the EcoNet energy management tool.
- ▶ Continued investment in hydrogen fuel technology: this approach has included a partnership with the Scottish Government, Logan Energy and ULEMCo Ltd to retrofit and deploy two gritters, an impact protection vehicle and a pickup truck with dual fuel technology on the M77 project. The dual fuel technology is anticipated to displace up to 30% of diesel usage.
- ▶ Renewable energy systems: Gammon, our 50:50 joint venture based in Hong Kong, invested in the installation of a further 200kWp capacity photovoltaic renewable energy system, consisting of 480 photovoltaic panels, at the Gammon Technology Park in Tseung Kwan O industrial estate. In addition to the first system installed in 2019, this is now generating around 555 MWh of solar energy electricity per year – equivalent to the annual consumption of c.170 households.

- ▶ Electric vehicle alternatives and the use of prefabrication methods: our US business has continued to replace 'dirty' work vehicles with electric alternatives and increase the number of projects using prefabrication as part of the build process. During the project planning stage, active consideration has been given to identifying options for clean power generation, including exploring the feasibility of an ownership model for previously leased plant equipment.
- ▶ Implementing the purchase of Renewable Energy Guarantee of Origin (REGO) backed green tariff energy to minimise carbon emissions from grid electricity.



**SCAN OR CLICK TO LEARN MORE ABOUT OTHER CARBON REDUCTION INITIATIVES**

### Summary of the Group's 2023 carbon performance

For 2023, for both location-based and market-based measurements, Balfour Beatty's total Scope 1 and 2 Greenhouse Gas (GHG) emissions have decreased from 2022, demonstrating a reversal of the trend of annual increases year on year from the 2020 baseline.

Of the Group's Scope 1 and 2 emissions, 91% were Scope 1 and 9% Scope 2. Balfour Beatty's GHG emissions are predominantly from the use of diesel in vehicles and plant and equipment.

#### Location-based

Balfour Beatty's total Scope 1 and 2 GHG emissions in 2023 were 146,461 tCO<sub>2</sub>e. This is a decrease from 2022 of 148 tCO<sub>2</sub>e, representing a reduction of under 1%. The Group's location-based GHG emissions intensity decreased from 16.0 tCO<sub>2</sub>e/£m revenue in 2022 to 15.2 tCO<sub>2</sub>e/£m revenue in 2023, a reduction of 5%. Location-based methodology uses average emissions intensity data to calculate carbon emissions from electricity usage.

#### Market-based

Balfour Beatty's total Scope 1 and 2 GHG emissions in 2023 were 144,725 tCO<sub>2</sub>e. This is a decrease from 2022 of 2,507 tCO<sub>2</sub>e, representing a 2% reduction. Market-based GHG emissions intensity also showed a reduction from 16.1 to 15.0 tCO<sub>2</sub>e/£m revenue, a 7% reduction. Market-based methodology uses actual emissions intensity data from the sources of energy an organisation has purposefully chosen to calculate carbon emissions from electricity usage.

### Innovation in low-carbon

The Energy Management Unit (EMU), our team of in-house experts, has been working closely with projects across Balfour Beatty to reduce cost, enhance sustainability and build energy resilience. Achieving this balance is key to delivering sustainable decarbonisation. The EMU is actively engaging with suppliers to trial new and innovative products and services, enable the introduction of larger low-carbon plant and machinery, and understand the infrastructure and support that suppliers require to integrate these solutions into site operations.

The mandatory energy efficiency standards developed with the EMU for use on all UK Balfour Beatty projects, commit projects to select low-energy assets for their sites. The current mandate includes use of our in-house tool, the Power Profiler, to correctly size power supplies to avoid fuel wastage from oversized generators. The EMU supports the business to implement the mandate effectively, whilst working with suppliers to identify the next opportunity to add to the mandated standard and continue to drive our energy use down. This approach builds in energy efficiency to all site setups and provides surety to our projects that the technologies they are using on their sites have been trialled and proven.

Delivery of battery storage to improve the efficiency of our generator setups has been a key focus and we have mobilised over 60 battery storage units to off-grid sites in 2023. The batteries enable generators to work more efficiently by switching them off when they are not needed. This reduces both ongoing fuel usage and noise and air pollution when the battery is able to provide all of the power to the site. The EMU is looking closely at the performance of these batteries to work with our suppliers to achieve optimum performance prior to embedding them into the energy saving mandate.

The transition away from diesel for power generation and plant is a key element of meeting our carbon reduction and environmental commitments. The EMU is working closely with a range of solar, hydrogen and battery electric technology suppliers to develop a range of solutions for our projects. Operational trials are underway on hydrogen fuel cell and hydrogen internal combustion engine generators to replace the current diesel versions, solar and hydrogen fuelled mobile welfare units, electric excavators and conversion of highways maintenance vehicles to hydrogen hybrid. Each of these trials and those that are planned for 2024 bring insight into the complexity of mobilising non-diesel assets on site and are being embedded into our operational systems to enable larger scale uptake of these alternative technologies as they become more widely available on the market.

As well as supporting adoption of technology to enable projects to achieve their Bridging the Gap action plans, the EMU provides specialist support to ensure that projects can reduce their use of energy through energy auditing and data analysis, develop behavioural change programmes and upskill their core energy management. This focus on efficiency delivers immediate carbon savings and reduces the scale of the requirement for replacement with alternative technologies

which will enable a more rapid and effective transition towards zero carbon.

Using the expertise of the EMU, Balfour Beatty has enabled efficient off-grid power provision in some of the UK's most remote locations. Today, our teams are using the Power Profiler to manage energy use, control costs and maximise profits by using online data to produce customised electric-load reports that contain up to 25 months of electric-use history.

The Power Profiler can work in sync with the EcoNet energy management system, these being two of our five mandated solutions. EcoNet can save energy by automatically turning our site cabin equipment off when it is not actively being used. In November 2023 we had 66 active EcoNet stations across our UK sites.



### BALFOUR BEATTY COMMUNITIES ENHANCES ENERGY EFFICIENCY ACROSS 11 NAVY INSTALLATIONS

Balfour Beatty Communities successfully completed a US\$31 million investment project, focusing on energy efficiency improvements across 11 installations in the US Navy Southeast portfolio.

The turnkey project, delivered in partnership with ENGIE Services US, included upgrades to high-efficiency heating, ventilation and air conditioning (HVAC) systems, weatherproof sealing and installation of domestic water retrofits and LED lighting.

These enhancements have provided energy savings of 9,941,959 kWh, enough to power 946 average US Homes for a year.

### PLANT TELEMATICS IMPROVING OPERATIONAL EFFICIENCIES

Balfour Beatty and its plant supply chain partners are putting significant effort into utilisation of machine telemetry data across our projects to improve plant utilisation and drive efficiencies

On our £240 million A63 Castle Street Improvement Scheme, we have been using telematics data alongside Eco-Operator training. Across a five-month test period from February to June 2023, the team saw significant benefits including an increase in plant utilisation and a 50% reduction in plant idling rates. Carbon emissions associated with idling were reduced from 36% to 17%.



### POWERING OUR BOTTESFORD DEPOT WITH SOLAR ENERGY

Following a successful trial in 2022, our Bottesford depot has been utilising thin solar film to power their cabins, reducing the need for diesel-generated electricity on site. From our analysis via the Victron online portal of actual energy generated (kWh), 60% of the energy generated by the solar

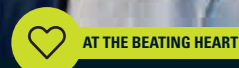
photovoltaic system was used directly by the cabins. In 2023, the solar contribution to the site was 6,268 kWh which is equivalent to the amount of electricity used by 2.3 average households in the UK.

“Thin film solar panels provide an easy to install, lightweight solar PV solution for modular buildings with very little compromise on performance.”

**Stuart McLeod**  
Senior Energy and Sustainability  
Manager, Balfour Beatty



SCAN OR CLICK TO  
FIND OUT MORE





## Science based targets

As articulated in the 2022 Annual Report Balfour Beatty committed to submitting a Science Based Target (SBT), and related abatement plan to the Science Based Targets initiative (SBTi). During 2023, this commitment was expanded to include setting both near-term and long-term, or net zero, SBTs. The analysis has been completed and application submitted. We anticipate validation from the SBTi in 2024.

The application has outlined the abatement measures the Group will continue to focus on in 2024 for Scope 1 and 2, as well as Balfour Beatty's first set of abatement measures for Scope 3. With Scope 3 comprising 15 separate carbon reduction categories, the key focus for the Group in the near term will be on the categories where we can have the most significant impact. These include purchased goods and services, and investments (including Gammon) – making up 83% and 8% of our Scope 1, 2 and 3 carbon footprint respectively.

### Scope 1 abatement measures include:



Idling reduction through telematics to increase energy efficiency for plant equipment (e.g. excavators, dumpers, piling rigs and crawler cranes)



Electrification of plant equipment



Electrification of fleet (cars, light commercial vehicles, and heavy goods vehicles)



Fuel switching to hydrogen and/or biofuels mix for plant equipment, power generators and fleet



Energy efficiency for battery storage and generators

### Scope 2 abatement measures include:



Green electricity supply



Renewable energy certificates



Power Purchase Agreements

### Scope 3 abatement measures include:



#### Purchased goods and services

- Supplier engagement: focusing on key product categories, engage with suppliers to obtain data, encourage target setting and emission reduction, collaborate on innovation, and identify and source from low-carbon suppliers
- Low-carbon building design and construction: incorporate low-carbon criteria and metrics into project design, including material efficiency and material substitution with low-carbon alternatives
- Client engagement: engage with clients to educate them on available low-carbon solutions for their projects



#### Investments

- Client engagement and collaboration: continue engaging with investment clients included in near-term Scope 3 target to track progress towards the Group's validated near-term science based target and collaborate on decarbonisation measures



#### Other measures

- Recycling and circularity: reduce emissions from waste through recycling policies and circularity in design
- Sustainable business travel policy: promote sustainable business travel policies
- Sustainable procurement: prioritise sustainable procurement for capital goods
- Green commuting: promote green commuting to reduce emissions from employee travel

## Approach for Group carbon reporting

From the consolidation approaches for GHG reporting detailed in The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard – Balfour Beatty Group adopts the operational control approach.

The GHG Protocol operational control methodology has been determined to still be the most relevant and appropriate consolidation approach for GHG emissions for Balfour Beatty as the Group moves into a more detailed and expansive phase of GHG disclosures encompassing Scopes 1 and 2, and all relevant Scope 3 categories.

Through undertaking the detailed carbon analysis required as part of the SBTi submission process, the Group was prompted to reconsider the full GHG inventory of Scopes 1, 2 and 3 categories in relation to its organisational and operational boundaries. Therefore, the Group revisited the treatment of Gammon Construction Limited (Gammon), the 50:50 joint venture between Balfour Beatty and Jardine Matheson based in Hong Kong, as well as its UK and US joint ventures and joint operations.

The outcome of this analysis has determined that it is more appropriate to report Balfour Beatty's 50% share (based on Balfour Beatty's equity interest) of Gammon's Scope 1 and 2 emissions within the Group's Scope 3 Category 15: Investments emissions, and not as part of the Group's Scope 1 and 2 emissions. The reasoning being that any tangible actions towards decarbonisation by way of capital expenditure and investment in low or zero carbon technologies would need backing from both Gammon joint venture partners.

Operating as an independent company, Gammon also has its own separate sustainability strategy with associated United Nations Sustainable Development Goals, a separate TCFD disclosure and SBT, and in 2023 was the first construction and engineering company in Greater China to receive approval from the SBTi for a 1.5°C aligned near-term SBT. These factors indicate that Balfour Beatty does not have operational control.

Balfour Beatty will continue to work closely with Jardine Matheson to collaborate relentlessly on the implementation by Gammon of new technologies and Modern Methods of Construction contributing to



decarbonisation. The climate crisis is a global issue which requires global solutions shared across the construction sector.

Following the reassessment of the operational control consolidation approach to Gammon, Scope 1 and 2 emissions from the Group's UK and US joint ventures and joint operations were also assessed, concluding that there were no entities since the baseline year that required restatement as Scope 3: Category 15.

As outlined in the decision-making process below, certain UK and US joint ventures and joint operations where Balfour Beatty does not have full authority to introduce and implement operating policies, i.e. operational control, that were previously included in the Group's Scope 1 and 2 emissions, are now

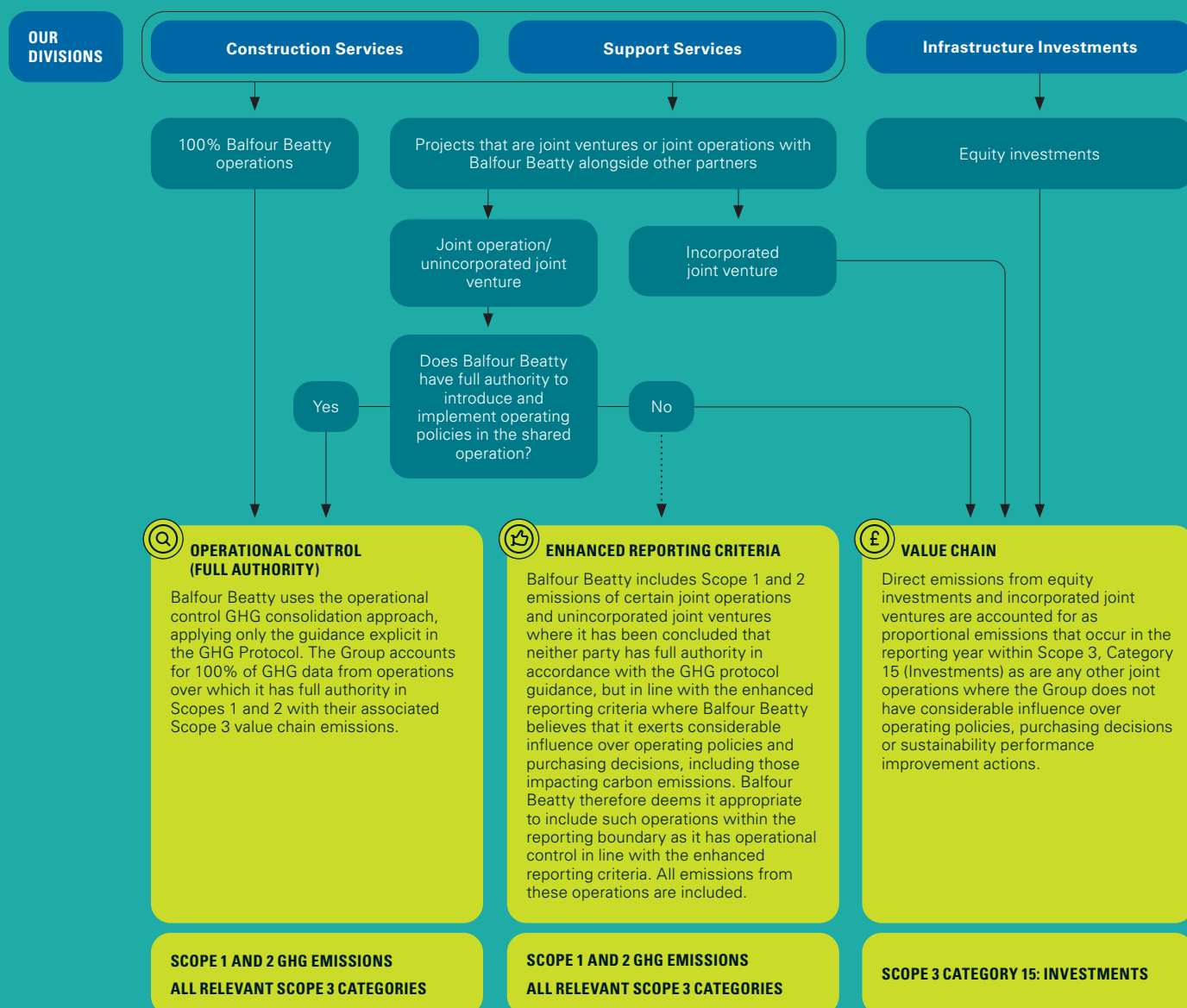
excluded from the operational control boundary and are instead included within the Group's Scope 3 Category 15: Investments emissions on a proportional basis in line with ownership interests.

All operating partners within joint ventures and joint operations have a responsibility to use their influence to reduce carbon emissions and it is important to provide visibility over these efforts, but in a manner which does not distort, either positively or negatively, the Group's carbon performance where the Group does not have operational control as strictly defined in the GHG Protocol.

Applying a consistent GHG consolidation approach is important and should reflect an obligation to undertake all measures possible to avert the worst impacts of the climate crisis. To this end, the Group has enhanced its

reporting criteria to enable us to communicate the emissions performance of both operations for which we have full authority, as well as operations where Balfour Beatty does not have full authority but does have considerable influence over operating policies and purchasing decisions. The total carbon emissions from these operations will be included as part of the Group's operational boundary and reported as part of the Group's total Scope 1 and 2 emissions, including for emissions intensity.

The Group's Scope 1 and 2 emissions for 2023 are therefore disclosed in the table on page 61 in line with the improved and more transparent carbon reporting approach as described above, with the comparative figures for the 2020 baseline year, 2021 and 2022 restated accordingly.





## GHG reporting methodology and assurance

### Energy and carbon reporting methodology and assurance

Balfour Beatty discloses energy, carbon and related data aligned to the UK Government Streamlined Energy and Carbon Reporting requirements (SECR), covering all seven UN Framework Convention on Climate Change/ Kyoto gases, and includes data from certain joint ventures and joint operations in line with the reporting criteria set out on pages 58 and 59.

To meet this, the Group has determined and reported all direct emissions it is responsible for within the organisational boundary set and does not believe there are any material omissions.

Scope 1 and 2 GHG emissions were calculated using the UK Government, US Environmental Protection Agency (EPA) and International Energy Agency's (IEA) most current conversion factors to determine equivalent tonnes of carbon dioxide (tCO<sub>2</sub>e) that include Global Warming Potential rates from the Intergovernmental Panel on Climate Change (IPCC) assessment reports based on a 100-year timeframe.

Balfour Beatty's Scope 1 and 2 GHG emission sources include emissions from assets that are otherwise not referred to across the rest of the financial statements, such as energy provided by landlords and customers that Balfour Beatty does not directly procure.

PwC LLP was engaged to undertake an independent limited assurance engagement of the Group's Scope 1 and 2 emissions and resulting emissions intensity (expressed as a ratio of emissions to revenue), reporting to Balfour Beatty plc using the assurance standards ISAE 3000 (Revised) and ISAE 3410 over the GHG data that has been highlighted in this report with the symbol<sup>®</sup>. PwC LLP's full statement is available at: [www.balfourbeatty.com/ILA\\_2023](http://www.balfourbeatty.com/ILA_2023).

### Market-based methodology

Since 2020, alongside the location-based method, Balfour Beatty has reported against the GHG Protocol Scope 2 market-based reporting methodology. This method allows the application of an emissions factor of zero tCO<sub>2</sub>e per kWh to supply contracts from suppliers of electricity purchased from renewable sources with a guarantee of origin certificate. For example, in 2023 in the UK c.13,000 MWh of Renewable Electricity Guarantees of Origin (REGO) certificates for

electricity were procured for electricity purchased through the Group's utility procurement contract. A residual mix emission factor is applied to electricity where a REGO is not available. For electricity which does not come from a renewable source and a country-specific residual mix emission factor is not available, Balfour Beatty has applied either the appropriate supplier factor based on the supplier's published fuel mix where it is known and can be evidenced, or the country average electricity emission factor provided by the UK Government, EPA or IEA (as appropriate).

### Scope 3 and Outside of Scopes emissions

Scope 3 emissions and biogenic emissions have been prepared using the GHG Protocol Scope 3 guidance.

As part of the compilation of a full GHG inventory for submission for validation to the SBTi, a review was undertaken for both biogenic emissions and forest, land and agriculture (FLAG) emissions. Outside of scope emissions are detailed in the table on page 62. FLAG emissions have been prepared in alignment with the GHG Protocol Land Sector and Removals guidance and the Draft for Pilot Testing and Review.

### Offsetting

Balfour Beatty does not, at present, offset any GHG emissions arising from the Group's operations, on the basis that there are significant opportunities to abate GHG emissions across Scopes 1, 2 and 3 through implementing efficiencies, Modern Methods of Construction and the adoption of low-carbon technologies and materials.

Balfour Beatty also recognises the role large organisations can take in 'insetting' GHG emissions by implementing reduced or low-carbon solutions within the Group's value chain and supporting the sectoral decarbonisation of the construction sector. Insetting is the reduction of GHG emissions through investing in projects that sequester or reduce carbon emissions within a company's own supply chain or operational boundary and focuses on internal actions that directly contribute to emission reductions or removals.

As the Group has committed to set a near-term Science Based Target and net zero target aligned to the business ambition for 1.5°C campaign via the SBTi, should any offsetting be decided to be undertaken by the Group in future, this would abide by the Oxford Principles\*.

\* <https://www.smithschool.ox.ac.uk/sites/default/files/2022-01/Oxford-Offsetting-Principles-2020.pdf>.



ABOVE

EcoSense – a sustainable site cabin design with integrated disability and neurodiverse features.

## SCOPE 1 AND 2 TABLE

Carbon emissions	Baseline year 2020	2021	2022	2023
<b>Absolute (tCO<sub>2</sub>e)</b>				
Scope 1 – operational control boundary (full authority)	90,850	90,180	83,456	<b>77,854</b>
Scope 1 – applying enhanced reporting criteria <sup>4</sup>	20,117	30,772	48,223	<b>54,736</b>
<b>Total Scope 1 – restated<sup>3</sup></b>	<b>110,967</b>	<b>120,952</b>	<b>131,679</b>	<b>132,590</b> <sup>Ⓞ</sup>
<b>As reported in previous years<sup>2</sup></b>	<b>162,816</b>	<b>199,002</b>	<b>217,757</b>	
Scope 2 – operational control boundary (full authority)	12,668	17,245	12,296	<b>10,628</b>
Scope 2 – applying enhanced reporting criteria <sup>4</sup>	534	775	2,634	<b>3,243</b>
<b>Total Scope 2 (location-based) – restated<sup>3</sup></b>	<b>13,202</b>	<b>18,020</b>	<b>14,930</b>	<b>13,871</b> <sup>Ⓞ</sup>
<b>As reported in previous years<sup>2</sup></b>	<b>42,701</b>	<b>41,779</b>	<b>35,938</b>	
Scope 2 – operational control boundary (full authority)	11,859	16,399	11,650	<b>6,584</b>
Scope 2 – applying enhanced reporting criteria <sup>4</sup>	788	791	3,903	<b>5,550</b>
<b>Total Scope 2 (market-based) – restated<sup>3</sup></b>	<b>12,647</b>	<b>17,190</b>	<b>15,553</b>	<b>12,134</b> <sup>Ⓞ</sup>
<b>As reported in previous years<sup>2</sup></b>	<b>38,596</b>	<b>34,340</b>	<b>34,629</b>	
Scope 1 and 2 – operational control boundary (full authority)	103,518	107,425	95,752	<b>88,482</b>
Scope 1 and 2 – applying enhanced reporting criteria <sup>4</sup>	20,651	31,547	50,857	<b>57,979</b>
<b>Total Scope 1 and 2 (location-based)</b>	<b>124,169</b>	<b>138,972</b>	<b>146,609</b>	<b>146,461</b>
<b>As reported in previous years<sup>2</sup></b>	<b>205,517</b>	<b>240,781</b>	<b>253,695</b>	
Scope 1 and 2 – operational control boundary (full authority)	102,709	106,579	95,106	<b>84,439</b>
Scope 1 and 2 – applying enhanced reporting criteria <sup>4</sup>	20,905	31,563	52,126	<b>60,286</b>
<b>Total Scope 1 and 2 (market-based)</b>	<b>123,614</b>	<b>138,142</b>	<b>147,232</b>	<b>144,725</b>
<b>As reported in previous years<sup>2</sup></b>	<b>201,412</b>	<b>233,342</b>	<b>252,386</b>	
<b>Intensity (tCO<sub>2</sub>e/£m revenue<sup>5</sup>) – restated<sup>3</sup></b>				
Scope 1 and 2 – operational control boundary (full authority)	11.9	14.2	11.7	<b>12.3</b>
Scope 1 and 2 – applying enhanced reporting criteria <sup>4</sup>	64.8	99.8	50.4	<b>20.7</b>
<b>Total Scope 1 and 2 intensity (location-based) – restated<sup>3</sup></b>	<b>13.8</b>	<b>17.6</b>	<b>16.0</b>	<b>15.2</b> <sup>Ⓞ</sup>
<b>As reported in previous years<sup>2</sup></b>	<b>18.8</b>	<b>25.3</b>	<b>22.4</b>	
Scope 1 and 2 – operational control boundary (full authority)	11.8	14.1	11.7	<b>11.8</b>
Scope 1 and 2 – applying enhanced reporting criteria <sup>4</sup>	65.6	99.8	51.7	<b>21.5</b>
<b>Total Scope 1 and 2 intensity (market-based) – restated<sup>3</sup></b>	<b>13.8</b>	<b>17.5</b>	<b>16.1</b>	<b>15.0</b> <sup>Ⓞ</sup>
<b>As reported in previous years<sup>2</sup></b>	<b>18.4</b>	<b>24.5</b>	<b>22.3</b>	

1 The Group's Greenhouse Gas operational control boundary, metrics and descriptions can be found in the Balfour Beatty Sustainability Reporting Guidance: [www.balfourbeatty.com/sustainabilityreporting](http://www.balfourbeatty.com/sustainabilityreporting)

2 'As reported in previous years' refers to the organisational boundary inclusive of the Gammon JV. Adjustments to this data have been made in accordance with the change in approach to the Group's operational control consolidation, reporting Gammon within Scope 3 Category 15: Investments in 2023 as outlined on pages 58 and 59.

3 Where previous years' values have been recalculated as part of the reassessment of organisational and operational boundaries for submission of targets to SBTi, the revised values are shown as 'restated'.

4 All emissions of certain joint operations and unincorporated joint ventures where neither party has operational control over the joint operation, but Balfour Beatty has a considerable influence over its operating policies and purchasing decisions, have been included in the Group's consolidated Scope 1 and 2 emissions (including intensity calculations) in line with enhanced reporting criteria. This is in addition to the emissions for Group entities for which Balfour Beatty has full authority in line with the GHG protocol operational control approach. For more detail please refer to the decision-making process diagram on page 59.

5 To calculate the carbon intensity of the Group's Scope 1 and 2 total emissions, an adjustment to the final revenue has been made from £10,023,793,038 to £9,641,974,959. This includes intercompany revenue and the revenue of certain joint operations and unincorporated joint ventures over which the Group has a considerable influence over their operating policies and purchasing decisions in line with enhanced reporting criteria and in addition to the revenue of entities which align fully to the GHG protocol operational control approach. To calculate the carbon intensity of the Group's Scope 1 and 2 emissions from entities which align fully to the GHG protocol operational control approach an adjustment to the final revenue has been made from £10,023,793,038 to £7,177,110,611, which includes intercompany revenue.

Ⓞ Included within PwC LLP's limited assurance scope.

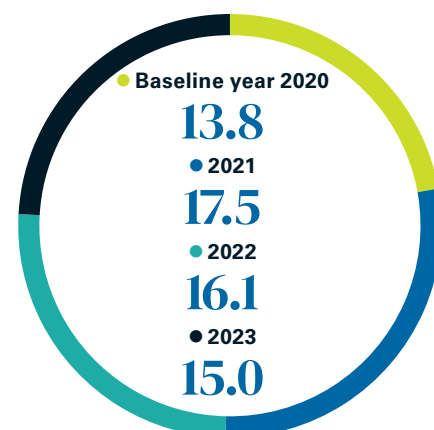
### Scope 1 and 2 GHG emissions

With the introduction of its Building New Futures sustainability strategy and commitment to a Science Based Target, the Group re-baselined its absolute reduction target.

From 2022 to 2023, the Group's total Scope 1 and 2 location-based GHG emissions decreased fractionally from 146,609 to 146,461 tCO<sub>2</sub>e. Market-based emissions showed a similar downward trend, reducing by 2,507 tCO<sub>2</sub>e or 2%.

The Group's location-based GHG emissions intensity decreased from 16.0 tCO<sub>2</sub>e/£m revenue in 2022 to 15.2 tCO<sub>2</sub>e/£m revenue in 2023, a reduction of 5%. Market-based GHG emissions intensity showed a similar reduction of 7% from 16.1 to 15.0 tCO<sub>2</sub>e/£m revenue in 2023.

### TOTAL SCOPE 1 AND 2 CARBON EMISSIONS PER £m REVENUE (MARKET-BASED)





## GHG reporting methodology and assurance continued

### Scope 3 GHG emissions

Scope 3 emissions arise from Balfour Beatty's value chain and investments (including Gammon) and are not directly controlled by the Group, as set out in

'Approach for carbon reporting' on pages 58 and 59. As Balfour Beatty has submitted its Science Based Targets aligned to the Business Ambition for 1.5°C campaign to the SBTi, the Group has prepared Scope 3 information from a restated 2020 baseline year as disclosed in the table below.

Implementing a business-wide assessment, it was determined that 13 of the 15 Scope 3 categories are relevant to the Group's

operations. The exceptions are Category 10: Processing of sold products and Category 14: Franchises, as the Group does not sell intermediate products that are processed by downstream companies or operate franchises. All relevant categories are calculated and included in the Group's Scope 3 GHG inventory. Scope 3 emissions are measured using the GHG Protocol Corporate Value Chain (Scope 3) Standard.

### SCOPE 3 AND OUTSIDE OF SCOPES

	Assessment status	Baseline year 2020	2021	2022	2023
<b>Scope 3 emissions (tCO<sub>2</sub>e)</b>					
Cat 1: Purchased goods and services	Relevant Calculated	2,836,477	3,076,315	3,023,913	<b>3,432,952</b>
Cat 2: Capital goods	Relevant, Calculated	13,184	19,954	17,330	<b>35,866</b>
Cat 3: Fuel- and energy-related activities (not included in Scope 1 and 2)	Relevant, Calculated	28,082	35,846	36,796	<b>36,912</b>
Cat 4: Upstream transportation and distribution	Relevant, Calculated	164,572	154,240	62,013	<b>110,016</b>
Cat 5: Waste generated in operations	Relevant, Calculated	2,538	5,228	1,551	<b>2,460</b>
Cat 6: Business travel	Relevant, Calculated	2,023	2,589	2,628	<b>7,072</b>
Cat 7: Employee commuting	Relevant, Calculated	1,055	2,110	2,137	<b>2,091</b>
Cat 8: Upstream leased assets	Relevant, Calculated	Included in Scope 1 and 2			
Cat 9: Downstream transportation and distribution	Relevant, Calculated	Included in Cat: 4			
Cat 11: Use of sold products	Relevant, Calculated	118	137	235	<b>244</b>
Cat 12: End-of-life treatment of sold products	Relevant, Calculated	16	18	16	<b>17</b>
Cat 13: Downstream leased assets	Relevant, Calculated	Included in Cat: 15			
Cat 15: Investments	Relevant, Calculated	336,318	359,353	383,528	<b>342,628</b>
<b>Total Scope 3</b>		<b>3,384,383</b>	<b>3,665,790</b>	<b>3,530,147</b>	<b>3,970,258</b>
Total Scope 3 intensity tCO <sub>2</sub> e/£m revenue <sup>1</sup>	Relevant, Calculated	339	420	345	<b>327</b>
Biogenic emissions	Relevant, Calculated	12,527	3,828	5,838	<b>8,263</b>
FLAG emissions	Relevant, Calculated	646,198	859,158	390,158	<b>1,079,492</b>

1 To calculate the carbon intensity of the Group's Scope 3 total emissions, an adjustment to the final revenue has been made from £10,023,793,038 to £12,141,525,482. In addition to the revenue figure of £9,641,974,959 used for the Group's Scope 1 and 2 total emissions (see Note 5 to the table on page 61) and in line with enhanced reporting criteria, this includes the Group's proportional share of the revenue of: (i) incorporated joint ventures and (ii) certain joint operations and unincorporated joint ventures where the Group does not have considerable influence over their operating policies or purchasing decisions.

### Approach for Scope 3 reporting

In 2023, the Group made significant progress in developing its approach to Scope 3, biogenic and forest, land and agriculture (FLAG) emissions, compiling a full GHG inventory from 2020 baseline year for submission for validation to the SBTi.

Improvements in data quality, moving from established estimation methodologies to actual data and more granular data, will allow Balfour Beatty to focus its efforts on GHG reductions in the Scope 3 categories over which the Group can have the most impact, and play its role in reducing GHG emissions in the value chain. Primary data collection with a higher degree of specificity allows the Group to target the most material Scope 3 categories of Category 1: Purchased goods and services and Category 15: Investments.

Lack of availability of primary data and corresponding embodied carbon for Category 1: Purchased goods and services is a construction industry-wide issue. Not having the ability to understand GHG emissions in a business' value chain is a potential barrier to embodied GHG emissions reductions from high-carbon products such as steel, concrete

and cement. During 2023, Balfour Beatty collaborated with an industry-wide consortium to tackle GHG data maturity from purchased goods and services. See 'Greening the Supply Chain' on page 67.

Our close collaboration with Gammon has allowed alignment with Balfour Beatty sustainability reporting metrics and informed the basis for other joint ventures and joint operations to move reporting on Category 15: Investments from an average data or Environmentally Extended Input-Output (EEIO) based methodology, to an investment-specific method compiling actual Scope 1 and 2 data from our investments value chain. This will help the Group's GHG reduction efforts to decarbonise investments.

### Action

Achieving net zero emissions throughout the Group's entire supply chain will require effective and co-ordinated collaboration across diverse stakeholders. The Group's two most material categories of Scope 3; Category 1: Purchased goods and services and Category 15: Investments, will be the primary focus of its Scope 3 emissions abatement measures.

### Energy

Changes to Balfour Beatty's energy consumption profile in 2023 have contributed to the reduction in carbon emissions. In 2023, energy consumption (MWh) increased by 2% to 624,367 MWh from 2022.

Balfour Beatty continues to focus on energy efficiency and in 2023 the following measures were implemented:

- 69 EcoNet installations – 1,290 MWh saved.
- EcoSense cabins – 65% of cabin and welfare units are energy efficient, using around 30% less energy than traditional cabins.
- LED installation at Bishopsgate project in Leeds City Centre – 7,500 kWh saved, projected annual savings 15,128 kWh.

Through the deployment of renewable energy generation solutions, Balfour Beatty generated 173 MWh of renewable energy in 2023. This included:

- › 320 panel solar PV array at Balfour Beatty's Derby Raynesway depot – 102 MWh saved, cost saving of £32,000.

- › Roof-mounted solar frames deployed on Balfour Beatty's Canvey Island project, displacing 18,907 kWh of energy usually produced by diesel generators.

- › Solar film installed at Bottesford depot – annual estimated energy contribution to the site 10,067 kWh.

The use of renewable energy also increased in 2023:

- › 26,627 MWh of REGO-certified grid electricity (up 40% from 2022).
- › 109 MWh of green hydrogen-generated energy, including from the operation of two hydrogen fuel cells on Balfour Beatty sites.

## ENERGY USE IN MWH

Fuel MWh	Baseline year			
	2020	2021	2022	2023
Electricity purchased – green tariff	12,536	15,812	16,096	<b>26,627</b>
Electricity purchased – other	35,258	48,846	46,423	<b>34,877</b>
Electricity (generated from solar renewables)	27	49	161	<b>7</b>
Electricity (generated from green hydrogen)	–	–	413	<b>109</b>
<b>Total electricity</b>	<b>47,821</b>	<b>64,707</b>	<b>63,093</b>	<b>61,620</b>
<b>Total electricity as reported in previous years</b>	<b>89,555</b>	<b>94,807</b>	<b>96,077</b>	
Diesel B7	143,687	131,719	348,137	<b>419,783</b>
Unleaded petrol	57,642	72,369	77,298	<b>74,161</b>
Gas oil (Red diesel)	236,750	268,115	100,515	<b>48,181</b>
GTL	–	3,320	3,612	<b>3,794</b>
Natural gas	8,147	14,861	13,106	<b>12,341</b>
Industrial gases	2,990	2,592	3,021	<b>3,500</b>
Boiler fuel	410	426	380	<b>497</b>
E85 petrol	166	125	268	<b>173</b>
LPG	64	64	65	<b>166</b>
100% mineral diesel	534	340	438	<b>129</b>
HVO	–	32	82	<b>15</b>
Diesel B20	55	–	–	<b>7</b>
100% mineral petrol	2	6	–	<b>–</b>
Biodiesel (1st generation)	–	27	–	<b>–</b>
<b>Total fuels</b>	<b>450,447</b>	<b>493,996</b>	<b>546,922</b>	<b>562,747</b>
<b>Total fuels as reported in previous years</b>	<b>676,363</b>	<b>902,179</b>	<b>879,449</b>	
<b>Global total</b>	<b>498,268</b>	<b>558,703</b>	<b>610,015</b>	<b>624,367</b>
<b>Global total as reported in previous years</b>	<b>765,918</b>	<b>996,986</b>	<b>975,526</b>	
<b>UK energy use % of global total</b>	<b>73%</b>	<b>72%</b>	<b>77%</b>	<b>80%</b>
<b>UK energy use % of global total as reported in previous years</b>	<b>50%</b>	<b>33%</b>	<b>40%</b>	
<b>Energy intensity (MWh/£m revenue<sup>2</sup>)</b>	<b>55.4</b>	<b>70.8</b>	<b>66.6</b>	<b>64.8</b>
<b>Energy intensity (MWh/£m revenue) as reported in previous years</b>	<b>69.9</b>	<b>104.9</b>	<b>86.3</b>	

1 The figures in this table include energy from the Group's consolidated boundary aligned to the methodology referred to in Note 2 to the Scope 1 and 2 GHG emissions table on page 61.

2 The MWh per £m revenue is calculated using the adjusted revenue figure disclosed in Note 5 to the Scope 1 and 2 GHG emissions table on page 61.

## Environmental impacts and risk management

Balfour Beatty continues to maintain a robust business management system for identifying and managing environmental impacts and risks at an organisational and project level. In 2023, sustainability was embedded into the business risk management process through comprehensive review and update of the Balfour Beatty sustainability strategic risk register.

In 2023 Balfour Beatty launched the Environment What3Things? initiative which follows the same approach as What3Things? for our fatal risks, launched in 2022. Environment

What3Things? is a short, digestible summary of three key measures that must be in place to manage environmental impact from our operations over seven areas of risk: pollution prevention, nuisance, waste management, materials management, wildlife, archaeology and cultural heritage and working near water. Resources including quick-reference pocket-cards, site posters and toolbox talks were created, and a series of webinars were delivered to support the initiative.

Balfour Beatty was not subject to any prosecutions by environmental regulators in 2023.

## Environmental, Social and Governance (ESG) ratings and scores

In 2023, Balfour Beatty plc achieved a FTSE4Good ESG score of 3.3 on a scale from 0 to 5 (higher scores are better), which was in line with 2022.

In 2023, Balfour Beatty achieved a CDP rating of B, which was in line with 2022 and demonstrates that it is taking co-ordinated action on climate issues.



**Dedicated to minimising its environmental impact and enhancing biodiversity, Balfour Beatty has established a Natural Environment team to support our UK Business Units with expertise in ecology, biodiversity and arboriculture/urban forestry.**

In 2023, Balfour Beatty’s biodiversity specialists provided ecological and arboricultural technical support for 26 projects and customers, including 13 local authorities to optimise biodiversity benefits.

To further its biodiversity goals, Balfour Beatty launched the Bridging the Gap framework, which includes a mandatory requirement for each UK Business Unit to set a SMART goal, such as training sessions and standardising methodology, to positively impact biodiversity. We also enhanced our project sustainability portal tool to capture data on adverse and beneficial impacts to biodiversity receptors across UK projects,

as well as establishing the Building with Nature Community of Practice for employees from across the UK to share knowledge and best practice on biodiversity and nature-based solutions.

Following a Science Based Target initiative (SBTi) forest, land and agriculture (FLAG) emissions assessment, Balfour Beatty’s FLAG emissions are dominated by land management emissions related to extracted materials and wood, but at 18% in base year 2020 and 11% in 2022, overall FLAG emissions are below the 20% threshold mandating setting a separate FLAG target under SBTi requirements.

# Biodiversity



SCAN OR CLICK  
TO READ OUR  
CASE STUDY ON  
SNIFFING OUT  
JAPANESE  
KNOTWEED



SCAN OR CLICK  
TO READ OUR  
CASE STUDY ON  
BOOSTING  
BIODIVERSITY AT  
BARN ELMS



## Generate Zero Waste

The construction industry is responsible for over 50% of all waste generated in the UK. The generation of waste can negatively impact on the environment through discarding valuable materials, requiring significant infrastructure to recycle, recover or dispose of waste, impacts from the transport of waste such as local air quality, carbon and particulate emissions, and direct impact from landfill including the use of valuable land and potential contamination.

In its Building New Futures strategy, Balfour Beatty set a 2030 target to achieve a 40% reduction in waste generated per £m revenue as a step towards the 2040 ambition to generate zero waste, by choosing the right materials, using less materials and creating value from the materials that are no longer needed.

In 2023, the UK business achieved a 40% reduction in tonnes of waste generated per £m revenue compared to our restated 2021 baseline, achieving the 2030 target for UK operations. However, due to the variable nature of waste generation, Balfour Beatty will continue to maintain a strong focus on resource efficiency and waste reduction to deliver against our 2040 ambition to generate zero waste across both the UK and US businesses.

In line with how we report GHG emissions, Balfour Beatty now excludes the Gammon business from waste reporting on the same operational control basis that it is excluded from carbon reporting. Refer to the 'Approach for Group carbon reporting' section on pages 58 and 59 for further information. The decision has also been made to omit the US waste data from reporting and restate performance for UK only from our 2021 baseline year onwards. Improvements in waste reporting processes are needed before the US and UK datasets are comparable. Inclusion of partial US waste tonnage but full revenue would cause inaccurate reporting of the Group's waste performance.

In the UK, information about the types and quantities of waste generated by Balfour Beatty activities is captured for each project via our in-house reporting tool using records of waste removed from site by our waste supply chain and subcontractors. Records of waste movements from sites including types and quantities are collated to generate overall waste performance data. Waste data includes waste that is removed from sites and premises and is managed off site.

During 2023, Balfour Beatty has improved the tools and processes used to capture waste data and for the UK, can now report under a set of waste categories that help to better understand our waste profile and the actions we are building into our Bridging the Gap plans to meet the targets and ambitions in our Building New Futures strategy. These categories are aligned to well-established industry waste reporting guidance. Non-financial performance information is subject to more inherent limitations than financial information.

The Bridging the Gap materials and resource efficiency actions for 2024 are focused on:

- ▶ continuing to make improvements to waste data reporting, including working with the waste supply chain to automate data streams for improved efficiency and accuracy;
- ▶ working with materials and products supply chain partners to implement practical circularity measures and evidence-based action;
- ▶ improving waste data capture from our US operations and understanding opportunities for working towards zero waste; and
- ▶ working with our UK Strategic Design Partners to identify and implement materials-efficient solutions through design.

### Waste reporting categories

Construction waste includes offcuts of new materials brought to site to construct buildings and structures, and the associated packaging for materials and products. The typical composition of construction waste includes timber, plastics, plasterboard, metals, bricks and blocks.

Demolition waste is generated from the demolition of buildings and structures, including roads, basements and foundations. The typical composition of demolition waste is similar to construction waste but can also include more hazardous material such as asbestos or treated timber.

Excavation waste is generated from earthworks, tunnelling and landscaping activities. This is typically made up of soil and stones and can include hazardous material from contaminated sites.

Construction, demolition and excavation waste is managed both by our directly employed waste supply chain and our subcontractor supply chain.

Premises waste is generated from offices and manufacturing facilities. Typical composition includes paper, cardboard, plastics and other office consumables, and can also include timber, metals and other materials from manufacturing activities. Premises waste is typically managed by our directly employed waste supply chain.

Balfour Beatty engages a variety of waste contractors and management routes across its operations and works closely with them to identify opportunities to implement sustainable waste management solutions. The options available can be dependent on local waste infrastructure.

All UK suppliers and subcontractors engaged by Balfour Beatty to manage waste are subject to Supplier Sustainability Conditions which require full compliance with waste duty of care legislation and for suppliers that make their own arrangements for waste disposal to provide records of all waste transfers. Balfour Beatty works with several waste disposal contractors to meet the needs of its various operations.

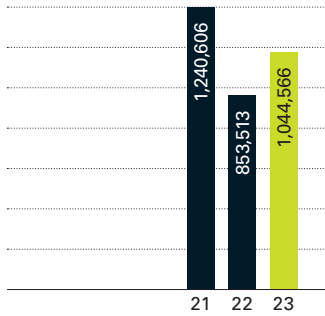
In addition to improving the transparency of waste data, in 2023 Balfour Beatty implemented several initiatives to support the delivery of its waste targets and ambitions. These focus on preventing waste and applying circularity measures to improve resource efficiency.

Our Canvey Island project trialed the use of Pallet Loop, a service that repairs pallets for reuse, eliminating pallet timber from site waste streams. Based on the trials, we are now rolling this out across the UK.

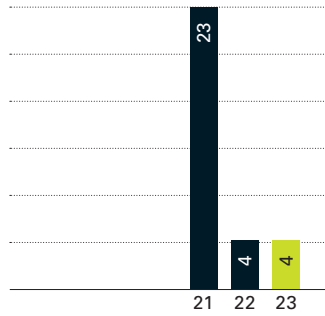
**SCAN OR CLICK TO FIND OUT ABOUT PALLET LOOP**



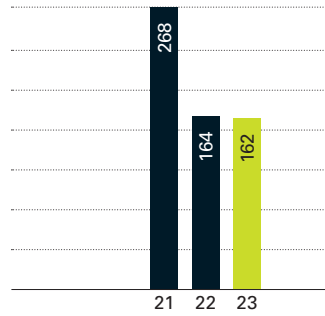
WASTE GENERATED (TONNES)



WASTE LANDFILLED (TONNES/£m REVENUE)



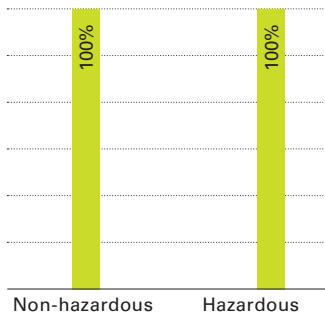
WASTE GENERATED (TONNES/£m REVENUE)



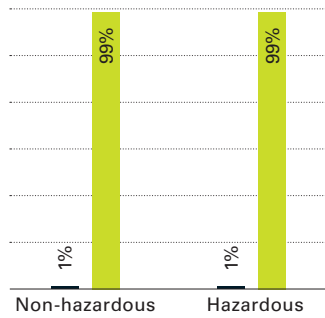
- 1 The Group's Waste disclosure metrics and descriptions can be found in the Global Sustainability Reporting Guidance at: [balfourbeatty.com/sustainabilityreporting](https://balfourbeatty.com/sustainabilityreporting).
- 2 The 2021 and 2022 figures are restated to exclude Gammon and the US business and now cover UK available data.
- 3 Waste and revenue from certain joint operations and unincorporated joint ventures where Balfour Beatty uses enhanced reporting criteria is included to align with Balfour Beatty's approach to GHG reporting (in line with Notes 4 and 5 to the Scope 1 and 2 table on page 61).

2023 UK WASTE BREAKDOWN (TONNES)

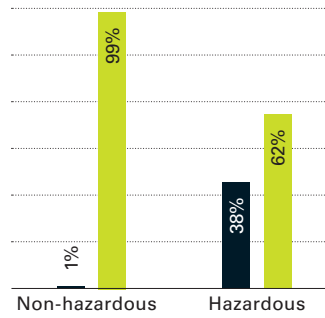
Construction (93,095t)



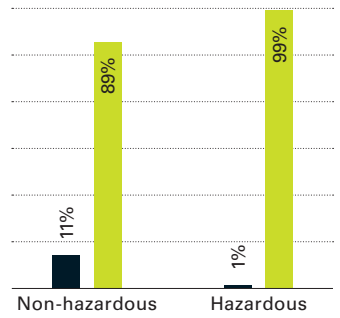
Demolition (155,974t)



Excavation (777,301t)



Premises (18,196t)



■ Landfill  
■ Diverted

Helping us to bridge the gap to sustainability, ProjectSurplus is live!

In October 2023, we launched ProjectSurplus in the UK, a platform to facilitate the transfer of site furniture, unused materials or surplus equipment between our depots, offices and projects, using an online marketplace format. Starting as a My Contribution idea, ProjectSurplus has evolved into a fully functional application with the help of invaluable support from our IT team.

Implemented by Adam Collins, Head of Digital Transformation, who sponsored the project, Paige Stevens, Project Manager, and IT Software Developers Oliver Fenby and Andrew Grayson, the new application creates increased visibility of surplus equipment and the opportunity to track material movement.



Aligned with our 'Building New Futures' strategy, ProjectSurplus gives visibility to material exchange opportunities, measures savings and will drive reductions in waste across the UK businesses."

Paige Stevens  
Project Manager, Balfour Beatty





## Positively Impact More than 1 Million People

Whether we are building critical infrastructure to provide renewable energy, helping connect people by road, rail and air, or providing accommodation for students and military personnel, everything we do impacts people and local communities. In the UK, social value is an essential part of our ability to win work with the UK Government and other customers and carries a minimum 10% weighting in tenders.

### Social value: progress against 2030 target

Our 2030 target is to generate £3 billion of social value, and our 2040 ambition is to Positively Impact More than 1 Million People. In 2023, Balfour Beatty UK projects delivered £937 million<sup>®</sup> in social value, an increase of 15% on our 2022 performance. The Group has made substantial progress towards its ambition to generate £3 billion in social value by 2030.

### Supply chain and community impact

Balfour Beatty understands the critical part its supply chain has to play in its ability to achieve the ambitions set out in our Building New Futures sustainability strategy. Notably, 86% of our Scope 3 carbon emissions are attributed to products and services that we buy. We recognise that our procurement practices extend beyond mere transactions; they provide significant opportunities to positively impact the communities in which we operate.

Recognising the interconnectedness of sourcing responsibly and delivering social impact, the Group restructured and resourced a new Responsible Sourcing and Social Impact team within the Sustainability function. This integrated approach signifies a strategic move

towards embedding sustainability not only in our procurement and commercial endeavours but also in further promoting social responsibility throughout our supply chain.

2023 also marked a pivotal shift in our approach to social impact taking a longer-term and more strategic view of what is needed now and in the future. We have implemented a regional model that adopts a place-based approach, recognising the diverse needs and characteristics of individual communities to drive focused improvements where they matter most to the communities in which we operate.

### Taking a risk-based approach

As well as positively impacting our employees and the communities within which we operate, Balfour Beatty also has responsibility to safeguard individuals and environments potentially impacted by our supply chain activities. Balfour Beatty has taken a risk-based sustainability approach to sourcing goods and services across its supply chain. It considers the categories of goods, services and subcontract trades against 13 key sustainability topics across Environment, Materials and Communities which include: energy and carbon, resource efficiency and modern slavery. The results informed our sustainability risk heatmap which was used to create specific question sets for tenders based on the risk profile of what we are sourcing. Our tenders carry a minimum weighting of 10% for sustainability; during 2023, we tendered our waste requirements for the UK business with a 40% weighting for environment and sustainability.

### Doing things differently – addressing the risks of modern slavery in the supply chain

It is estimated that 122,000 people in the UK are victims of modern slavery and construction is one of the highest risk industries due to its long and complex supply chains. During 2023, the UK business

developed a new approach to undertaking modern slavery audits of its supply chain, through a more collaborative process of discovery and improvement where suppliers feel better supported to prevent modern slavery across the industry.

We have used technology to develop an easy to use and informative modern slavery audit that is carried out with our suppliers at their premises and we have upskilled our procurement team to carry out the audits. The audit report also signposts suppliers to the free resources available within the Supply Chain Sustainability School for more information and training resources.

During 2023 we have undertaken 121 audits with our supply chain. Feedback from suppliers has been incredibly positive; not only have they commented positively on our collaborative approach, but they have been able to take practical steps to enhance their business processes. The audit has also enabled greater engagement with the supply chain.

Alongside our audit approach, we have also taken additional steps working with Constructionline to develop additional pre-qualification criteria for all suppliers to the UK business. These changes went live in November in preparation for our requirement for all supply chain partners, regardless of turnover, to produce a modern slavery statement by the end of 2024. Regular communications including supplier guidance and a template have been shared with suppliers since we announced the changes in June.

### Supply Chain Sustainability School

Balfour Beatty continues to recognise the benefit provided by the Supply Chain Sustainability School (SCSS) to its supply chain and its employees. Jo Gilroy, Group Sustainability Director, is a partner-elected board member of SCSS, lending her expertise to drive the future direction of the school. During 2023, we also co-funded two key pieces of research which were co-ordinated by the SCSS. The first was a much-needed procurement guide for solar PV, setting out practical steps that can be taken to understand and mitigate the risk of modern slavery in the supply chain. The second is a deep dive into how sustainable Hydrotreated Vegetable Oil (HVO) really is; the results of this are due in early 2024.

Balfour Beatty continues to provide support and expertise in many of the SCSS's working groups and co-chairs the Modern Slavery working group.

## Greening the supply chain

In 2022, in partnership with the Supply Chain Sustainability School (SCSS) we conducted our Greening the Supply Chain survey to better understand the barriers to net zero in our supply chain. Read about the approach we have taken during 2023 to address the key themes raised.

SCAN OR CLICK TO FIND OUT MORE



SCAN OR CLICK TO FIND OUT MORE ABOUT HOW OUR SUPPLY CHAIN AND EMPLOYEES HAVE BENEFITED FROM THE SCSS DURING 2023







## Positively Impact More than 1 Million People continued

### Social value reporting and assurance

In the UK Balfour Beatty continues to use the National TOMs framework as a method of measuring and reporting social value to a consistent and recognised standard.

Balfour Beatty has partnered with the Social Value Portal to measure, manage and report social value for the UK business. Following a limited assurance approach, the Social Value Portal validates the social value data quarterly ensuring the methodology that underpins the TOMs framework is consistently applied.

PwC LLP was engaged to undertake an independent limited assurance engagement of the social value generated in the UK, reporting to Balfour Beatty plc, using the assurance standard ISAE 3000 (Revised) on the social value data that has been highlighted in this report with the symbol ©. PwC LLP's full statement is available at: [www.balfourbeatty.com/ILA\\_2023](http://www.balfourbeatty.com/ILA_2023).

In order to reach its opinion, PwC LLP performed a range of testing procedures over the social value data. A summary of the work PwC LLP performed is included within its assurance opinion. Non-financial performance information is subject to more inherent limitations than financial information.

The limited assurance statement should be read in the context of the reporting criteria as set out in Balfour Beatty's Global Sustainability Reporting Guidance available at: [www.balfourbeatty.com/sustainabilityreporting](http://www.balfourbeatty.com/sustainabilityreporting)

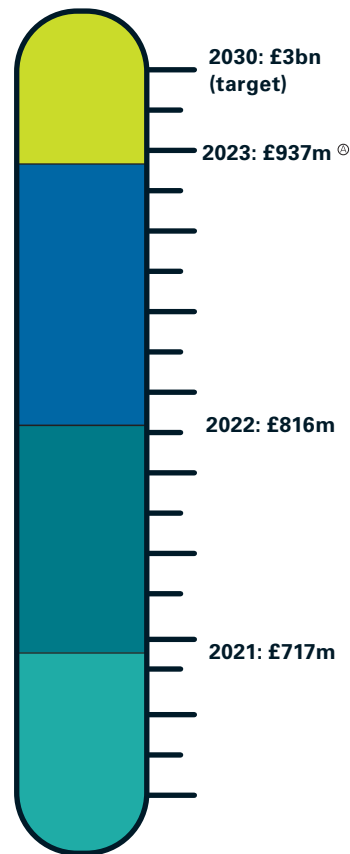
The guidance outlines the non-financial KPIs measured by the Group, their definitions and evidence requirements.

### Community investment through volunteering and charitable fundraising

Balfour Beatty employees have a long and proud history of supporting charities. In the UK, charitable donations to the value of £398,513 were fundraised by employees and donated by the company. This included two donations to the British Red Cross, £24,000 for their Turkey-Syria Earthquake Appeal and a further £25,000 in October towards the humanitarian crisis in Israel and Gaza.

Employees also volunteered 18,986 hours to support a variety of causes from creating community spaces, supporting prisoners with mock interviews before release, and providing business support to social enterprises. In December, Balfour Beatty runs an annual festive fundraising campaign which allowed LinkedIn followers the opportunity to vote on how Balfour Beatty should split a festive donation pot amongst its chosen corporate charities including The Prince's Trust, Groundwork, Project RECCE and in addition for 2023, Save the Children.

### SOCIAL VALUE GENERATED TO DATE



### COMMUNITY INVESTMENT THROUGH HOW WE BUY AND VOLUNTEERING

UK breakdown	2021	2022	2023
Spend with local suppliers <sup>1</sup>	£761,486,644	£892,762,951	£959,174,488
Spend with SMEs	Over £1 billion	Over £1.5 billion	Over £1.4 billion
Employee volunteer hours	23,000	19,645	18,986
Volunteering hours positively impacting the environment	872	2,572	2,968

<sup>1</sup> A local supplier is defined as being located within 30 miles of a project unless the client has specified an alternative definition. Regional adjustments can be made on a project-by-project basis to allow for things like rural or coastal locations.



### HABITAT FOR HUMANITY

To support community outreach, US colleagues have partnered with Habitat for Humanity – a non-profit organisation that helps people around the world to build or improve a place they can call home.

From California and Oregon to Washington D.C., colleagues have been living out their people-first culture through fundraising, building and volunteering with Habitat for Humanity to ensure affordable housing is accessible in all communities.

In Dallas, Texas, the North Texas Connecting Women Affinity Group chaired the Women Build Dallas leadership team and successfully raised more than US\$100,000 for the programme.

### LAP DOG CHALLENGE

2023 was the 8th year #TeamGammon took part in the Lap Dog Challenge at the Stanley Ho Sports Centre athletic track.

The team demonstrated remarkable resilience and tenacity running an impressive total of 428 laps over a five-hour period.

Their efforts extended beyond the track as well, raising over HK\$1.4 million for the Lighthouse Club Hong Kong Benevolent Fund and the Hong Kong Breast Cancer Foundation, an achievement that earned them the trophy for the most sponsorship dollars raised.



### BREAKING BARRIERS

During 2023, Balfour Beatty undertook a number of initiatives and activities to break the barriers into the construction industry for social enterprises.

Our Social Enterprise Accelerator & Development programme (SEAD) provided an opportunity for the UK Construction Services business' executive team to volunteer their expertise on business strategy and growth, supporting the social enterprises' development and also exploring ways of working with Balfour Beatty.

In collaboration with Nuneaton Signs, we organised an event to raise awareness of the opportunities in the construction industry for those with disabilities. Nuneaton Signs, a strategic social enterprise partner which supplies Balfour Beatty with site signage, has a diverse workforce where 70% of their employees have a disability.

The event was designed to raise awareness of the diverse range of roles available in the construction industry and to showcase how modern methods of construction will create more suitable roles for those with disabilities. We also had an opportunity to learn from Nuneaton Signs' team on how Balfour Beatty could become a more inclusive employer.



**Numbers only tell part of our social impact story; social enterprises are purpose driven, putting people at the heart of what they do. Businesses with a social purpose contribute positively to society by addressing specific issues or challenges. They naturally then make a meaningful impact on people, place, or the planet. The aims of social enterprises and such businesses delivering benefits to communities or to the environment, mirror the personal values that I try to live by day to day."**

**Andrea Holt**  
Strategic Delivery Manager – Social Impact, Balfour Beatty

SCAN OR CLICK TO  
FIND OUT MORE



AT THE BEATING HEART





# Talented experts



IMAGE  
Haydn Samuals, Foreman, London Power Tunnels 2.



**Now more than ever, Balfour Beatty is focused on making sure we have the right people, culture, policies and systems to enable sustainable business performance; prioritising attention on developing an environment where all employees can perform, grow personally and enjoy working for Balfour Beatty. We operate in markets where there can be tough competition for the best people, therefore it is critical for us to retain and develop talented experts and attract and recruit the diverse skills and experiences that the business needs to deliver today and for the future.**

Balfour Beatty's people strategy is proving successful and continues to deliver. Our People Plan is structured around four strategic pillars – Attract, Retain, Grow and Thrive. These pillars embrace our unique context and culture as a business, which fosters a great place to work, creating an environment that allows all our people to grow and develop and, in turn, sets the business up for success.



### Attract

Balfour Beatty has a strong brand in all our key markets. We leverage this to focus on attracting the right people to meet resource demand with diverse experience in a variety of markets. Looking at every aspect of the Group's brand, we continue to invest in our attraction strategies at different levels to ensure the right people see Balfour Beatty as a 'Great Place to Work', through:

- › Schools and university engagement, encouraging children to pursue STEM studies
- › A significant investment in Early Careers
- › Widening the pool in which Balfour Beatty searches for talent through active engagement with charities and social enterprises



### Retain

Balfour Beatty's approach to retention is driven by a strong belief that people who enjoy working for Balfour Beatty, in an inclusive environment where they feel valued and that enables them to be productive and develop, will stay with the business. To drive this we are focused on:

- › Employee engagement – achieving above the industry average
- › Driving career progression, leveraging the scale and scope of the Group
- › Increasing recognition and celebrating role model behaviours as well as performance



### Grow

Balfour Beatty's 'Grow Our Own' talent philosophy showcases our commitment to giving all employees the opportunity to develop their skills, competence and careers, enabling satisfaction and success for individuals and the business. Our continued investment in training and development is evident through:

- › Ongoing commitment to investing in development – increasing the number of people accessing development year on year
- › Commitment to professional development and excellence
- › High-calibre investment in developing leadership talent
- › Driving the transformation of our industry, through initiatives such as Modern Methods of Construction



### Thrive

Culture is critical to creating an environment where all employees can be their best selves at work, using innovation and creativity to deliver for Balfour Beatty's customers through diverse thinking and experience. In 2023 we have focused on strengthening our culture and increasing the diversity of the organisation through:

- › Developing an inclusive culture – Value Everyone UK D&I strategy and action plan
- › Making progress towards diversity targets and measures
- › Supporting employees through work and life
- › A continued commitment to our Affinity Networks, including the launch of a new Neurodiversity network in the UK



## OUR PEOPLE CONTINUED



### Attract

#### Schools and university engagement

Throughout 2023 across all our geographies, Balfour Beatty has continued to focus on inspiring young people to join the industry.

In the UK, the Balfour Beatty VINCI SYSTRA joint venture working on HS2's Old Oak Common station project has developed an award-winning skills, employment and education strategy which looks to address skills shortages whilst maximising the social impact. This includes The Serious Gaming Initiative, an online careers and construction building game enabling students to develop an understanding of how their classroom learning is applied on a real project.

The US Buildings business focused on engagement at all education levels, from community engagement with schools, delivering STEM workshops, student mentorship in partnership with local colleges, inspiring talks to students at Herndon High School, Virginia, via the ACE Mentor Program of America, and mentoring students in the Asian American and Pacific Islander communities at the University of Washington.

Gammon, our 50:50 joint venture in Hong Kong, continued its programme of educational engagement with 12 university visits to introduce the construction industry, hoping to attract more students to join Gammon on graduation. Another highlight was an innovation competition held at Tsinghua University in Beijing at which 12 Gammon engineers took the chance to share our innovations with students from universities across China.

#### A significant investment in Early Careers

Balfour Beatty is proud to continue its substantial investment in the recruitment and development of employees early in their careers.

#### RIGHT

Volunteering at HMP Wandsworth with StandOut, a charity which supports people leaving prison. Left to right: Paul Fuller, Regional Social Impact Manager, Paul Raby, Group HR Director and Kevin Kooaletse, Project Director.



Balfour Beatty retained its Gold membership of The 5% Club in the UK for the third year running. This award recognises our significant and ongoing contribution to developing colleagues through 'earn and learn' schemes such as apprenticeships, graduate schemes and sponsored students course placements. At the end of 2023, the proportion of our employees in earn and learn positions was 7.4%, up from 6.5% in 2022. This achievement is particularly pertinent given that 2023 marked the 10th anniversary of The 5% Club, which was founded by Leo Quinn, Balfour Beatty Group Chief Executive.

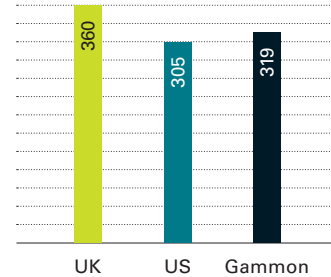
The US continued with its summer intern programme across all three business areas, providing opportunities to 184 individuals to build their skills and knowledge on key projects. 37% of the interns transitioned in to full-time positions at the end of their programme.

In the UK, Balfour Beatty was delighted to be placed ninth in the Rate My Apprenticeship Best 100 Apprenticeship Employers, an award voted for by apprentices themselves, based on reviews of their experience. We also ranked in the Department for Education's Top 100 Apprenticeship Employers list.

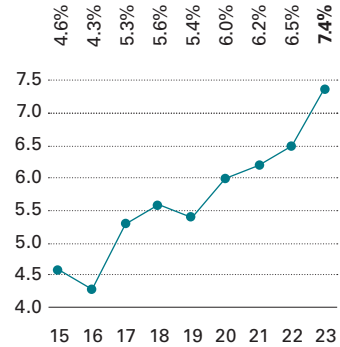
#### Widening the talent pools that Balfour Beatty hires from

To support our plans to create a more diverse workforce we have continued to strengthen relationships with key external partners to further widen the talent pools we hire from. In the UK, we have had a particular focus on hiring military talent and welcomed 100 veterans to fill critical roles, supported through a tailored development pathway. We have also increased activities around hiring ex-offenders through a number of successful programmes across the business. We will look to evolve and scale up these successful programmes for ex-forces and ex-offenders in 2024.

#### 2023 EARLY CAREERS HIRES: GRADUATES, APPRENTICES, TRAINEES, INTERNS AND INDUSTRIAL PLACEMENTS



#### % OF OUR UK WORKFORCE IN EARN AND LEARN POSITIONS



It was a very fulfilling afternoon and a reflection of the caring business that Balfour Beatty is. I certainly recommend this to colleagues in our business."

Kevin Kooaletse  
Project Director, Balfour Beatty



## Retain

### Employee engagement – achieving above industry average engagement scores

As an organisation, we know employee engagement is a critical enabler for retention. By listening to our employees across various channels such as Viva Engage, starter/leavers surveys and our annual engagement survey, we develop a better understanding of how to improve engagement and how we can best support our employees.

In 2023, Balfour Beatty's employee engagement survey achieved its best ever results. The Group engagement index score, which measures satisfaction, motivation, advocacy and retention, increased for the sixth consecutive year to 81% (80% in 2022). Compared to our peers, Balfour Beatty was 7 percentage points above an industry average and 8 percentage points above companies of a similar size.

In the US, the engagement score of 85% was the highest score since the survey process began in 2017. 2023 was also the first year the US Buildings and Civils business invited their operational, front-line workforce to complete the engagement survey, allowing more employees across the Group

the opportunity to provide feedback. Feedback helps us improve the employee experience; for example, a focus on recognition resulted in an increase of 12% from 2022 to 2023 in people feeling thanked and recognised for great work.

This positive engagement trend is reflected in a 2.1% reduction in our UK voluntary leavers rate in 2023, stabilising back to the rates we experienced before the COVID-19 pandemic. Our US voluntary attrition rate also reduced by 1%.

### Recognition and celebrating role models

Recognition is a key strand of the Retain pillar and focuses on acknowledging not only the performance of our employees but also colleagues' exceptional behaviours.

In the UK, Balfour Beatty launched a recognition framework, covering a variety of tools to empower line managers to appreciate their teams regularly through giving praise, showing thanks, and recognising loyalty and success. This framework guides the business to embrace and embed our behaviours as set out in our Cultural Framework.

The UK business has also continued to recognise exemplary behaviours through its Behaviour Champions and Early Careers Awards.

Gammon, our 50:50 joint venture based in Hong Kong, continued to recognise long-service employees with a total of 119 employees receiving loyalty awards in the 15, 25, 35 and 45-year categories.

In the US, Balfour Beatty continued to embrace employee recognition with 4,560 submissions in the US Buildings business using the KUDOS online recognition system. The US Investments business through its BRAVO REWARDS system received 8,303 submissions in 2023, resulting in 84% of its employees engaged in the recognition approach.

### Driving career progression, leveraging the scale and scope of the Group

Balfour Beatty's talent philosophy is centred around our principle of 'Grow Our Own'. We deliver this through robust and embedded processes to manage talent, develop colleagues, define career paths and plan for succession. These include regular performance development reviews, an Executive Committee Leadership Talent and Succession Forum, focusing on internal mobility and increasing leadership diversity. 'Grow Our Own' is a key part of our retention and skills strategy for the future and we will continue to focus on this in 2024 and beyond.

**EMPLOYEE WELLBEING IS A KEY PART OF OUR PEOPLE STRATEGY. FURTHER HIGH SCORES SHOW GREAT SUPPORT FOR EMPLOYEES IN THE UK AND US.**

**94%**

**FEEL CARED FOR AT WORK**

**85%**

**FEEL COMFORTABLE THEY CAN BE THEMSELVES AT WORK**

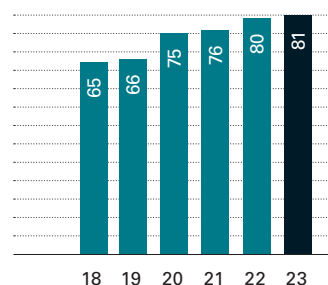
**84%**

**SAY THEY ARE TREATED WITH RESPECT**

**84%**

**BELIEVE OUR CULTURE IS INCLUSIVE TO ALL PEOPLE**

### ENGAGEMENT SURVEY SCORES %\*



\* Excluding international joint ventures in 2020 and earlier years.



**My 10-year journey with Balfour Beatty has been one of opportunity, empowerment and inclusivity. The support and trust from senior leaders has been instrumental, enabling me to step up when opportunities for change and growth have presented themselves.”**

**Jenni Kelley**

Senior Vice President, Chief Financial Officer, Balfour Beatty's US Civils business







### Ongoing commitment to investing in development

A key element of the Balfour Beatty approach to development is to ensure we really know our people. We have a number of processes adopted throughout the business that drive conversations with employees about performance and development and regular 'People Reviews' which include succession planning, undertaken at multiple levels across the business.

By understanding our people we are better able to direct our investment in training and development activities which range from regulatory certification through to bespoke senior leadership development.

Employees can request and self-enrol onto training and development offered by Balfour Beatty, following performance development conversations with their line managers. In the UK, 3,450 training days were delivered to employees through this route in 2023.

### Commitment to professional development and excellence

Developing professional capability has continued to be central to activity for all parts of the Group.

In Hong Kong, Gammon has continued to focus on increasing the competence of its team with 5.5% of employees taking part in sponsored training programmes, and 25 people taking part in the fourth cohort of the Gammon Project Management programme.

Continuing on from the significant work completed in 2022 to upskill the employee population on BIM, a BIM API eLearning module was introduced in 2023.

Within the UK, professional competence continues to be a key area of importance, and in 2023, there has been a clear focus on implementing robust infrastructure to enable long-term support for employees to become professionally qualified and expert in their field. We became a Corporate Partner to the Chartered Association of Building Engineers, as well as maintaining our Corporate Partner status with both the Institute of Engineering and Technology and the Institute of Civil Engineers, a reflection of our commitment to improving competence across the UK business. Across our six commercial programmes, 1,374 training events have been delivered to 750 attendees representing the largest participation since the programme started in 2015.



### Driving the transformation of our industry

Balfour Beatty is increasing the use of offsite manufacture and onsite assembly to meet customer demand by rolling out a new Modern Methods of Construction (MMC) course in the UK after a successful pilot in 2022. A total of 78 employees attended this two-day course in 2023 and further courses are planned in 2024.

Delivered by internal experts, with input from our Strategic Design Partners, the course is delivered in research and development centres aligned to MMC to enable delegates to get involved in tours of manufacturing facilities and activities related to MMC.

In the UK, as a result of the implementation of the Building Safety Act, a Fire and Building Safety Leadership Group has been created and a key item on the agenda is the development of a range of new training courses aligned to competence requirements, professional bodies and external qualifications.

Our focus on supporting employees to develop their expertise and careers in the UK was recognised in 2023 when we won the OpenLearn Impact Award for supporting business and organisational Goals for our Learning at Work Week activities.

### Continued investment in developing leadership talent

Talent programmes focused on career progression are an essential enabler of our 'Grow Our Own' philosophy, building capability to strengthen the leadership and succession pipeline. This include the Gravitas programme launched within Gammon for construction managers, and three leadership development programmes in the US Buildings and Civils business:

> the Propel Emerging Leaders programme continued with a new 2023 cohort, gathering 60 high-potential leaders from across US Buildings and Civils to collaborate, innovate and grow new leadership talents to propel participants and the business to the next level of shared success;

> the Executive Leadership Development Programme (ELDP) has been redeveloped to reach a broader audience at multiple levels of leadership, strengthening our strong succession pipeline. There are now two development opportunities: the legacy ELDP and leadership workshops. 85 participants have attended Leadership Workshops in 2023, with 22 participants identified for the 2024 ELDP cohort; and

> the Manager Success programme, launched in December 2023, is focused on providing newly promoted managers with the fundamental knowledge necessary to transition into leadership, supported by one-to-one coaching. The first cohort has 68 participants.

In the UK, we continued to deliver high-calibre and well-established programmes to enhance the breadth and depth in our leadership pipeline. This included completing the fifth cohort of the UK Future Leaders programme with a total of 24 leaders and the Aspiring Leaders programmes which have now supported leadership readiness for 72 employees. To embed their learning participants are offered one-to-one leadership coaching, with 400 hours logged in 2023.



Balfour Beatty's aim is to foster a workforce that mirrors the diversity of the communities that we serve and to provide a supportive working environment for all. In 2023, an updated Value Everyone UK Diversity and Inclusion (D&I) strategy was published, reinforcing our commitment to create an even more diverse and inclusive workplace. To help us deliver its strategic goals, our Value Everyone UK Action Plan sets out in detail the steps we are taking to boost the diversity of our business, including the 2030 targets we have set to help accelerate the pace of change: a 50% increase in female representation, 60% increase in minority Ethnic and a 60% increase in black representation by 2030, from a 2021 baseline.

In the UK, Balfour Beatty was awarded the Clear Assured Bronze Standard, a globally recognised inclusion standard for our commitment to diversity and inclusion in the workplace in 2023, and is working towards the Silver Standard in 2024.



**SCAN OR CLICK TO READ OUR VALUE EVERYONE – UK ACTION PLAN**

## Making progress towards diversity targets and measures

Increasing the diversity of experience and thinking within our teams remains a focus in all our geographies. The Group has developed an approach to targets and measures according to their geography and the maturity of their plans to increase diversity. These targets and measures range from specific targets around gender and ethnicity, through to representation on talent programmes and promotions.

Gammon, our 50:50 joint venture based in Hong Kong, has focused on increasing diversity, with 15.7% of its senior management population female at 31 December 2023.

In the US, Balfour Beatty uses data and reporting to keep diversity top of mind. At 31 December 2023, the gender and ethnic diversity numbers in the workforce were 21.8% and 48.0% across all businesses respectively.

Alongside the UK's 2030 D&I targets and to recognise the importance of diverse senior leadership teams, we have also established specific senior leadership targets. We monitor progress and are committed to reporting externally at key points along the way.

The UK business is focusing on two strategic areas to help achieve its D&I targets. In the short-term, the UK executive search team implemented a targeted recruitment approach which enabled 21.9% of senior leadership hires to be diverse. Long-term, we are committed to our 'Grow Our Own' talent philosophy. In 2023, 27% of attendees on our two flagship talent programmes were female, with 5.6% from an ethnic minority.

We also continue to increase diversity through our early careers hires across the Group. 21% of UK graduates were from a minority ethnic background and 25% were female.

At Gammon, 17% of graduate engineers, technician and craft apprentices hired were female. In the US, 23% of summer interns and on-the-job trained employees were female and 42% were from a minority ethnic background.

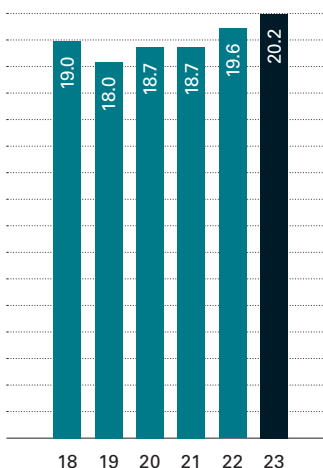
In the US, Balfour Beatty hosted its fourth 'Together Allies' Summit to reinvigorate its commitment to a respectful and inclusive workplace for all. This summit had a record-breaking 2,093 attendees and included a series of panel discussions on the vital importance of inclusion and marked Balfour Beatty's inaugural sponsorship of Construction Inclusion Week.

Across the US, Balfour Beatty teams gathered collectively and individually to celebrate Martin Luther King, Jr. on MLK Day. The Network of Black Leaders and Executives (NOBLE) employee Affinity Network provided educational resources and hosted events to enhance understanding of the deep significance of this national federal holiday.

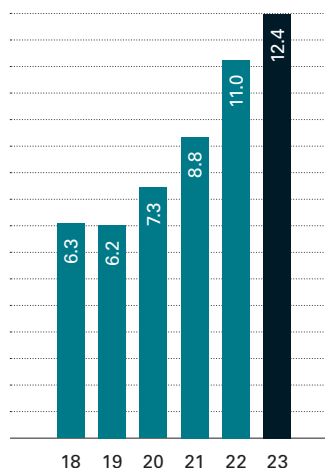
In Hong Kong, Gammon held an International Women in Engineering Day event, with a young female engineer representing Gammon sharing her career journey with the aim to inspire more females to join the construction industry.

## Progress towards diversity targets in three key areas:

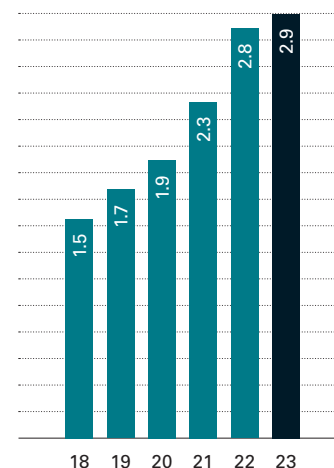
### FEMALE EMPLOYEES ACROSS THE WORKFORCE %\*



### UK ETHNIC MINORITY EMPLOYEES %



### UK BLACK EMPLOYEES %



\* Excluding international joint ventures in 2020 and earlier years.



# RIGHT TO RESPECT

## Valuing everyone by developing an inclusive culture

In 2023, Balfour Beatty launched its Right to Respect programme in the UK, following successful pilots in 2022. Right to Respect supports our inclusive culture by clarifying the Behaviours we expect and empowering colleagues to hold each other to account and 'Value Everyone'.



SCAN OR CLICK TO WATCH THE VIDEO



# 100%

OF OUR SENIOR LEADERSHIP TEAMS COMPLETED THEIR SESSIONS

# 4.7/5

SCORE FOR RECOMMENDING THE SESSION TO A COLLEAGUE

# 39%

OF LINE MANAGERS HAVE COMPLETED THE TRAINING

# 97%

AGREED THE FACILITATORS CONVEYED THE MATERIAL WELL

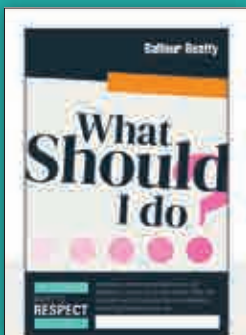
# 99%

FELT THEY WERE ENGAGED AND COULD CONTRIBUTE



Balfour Beatty is following up on such an important culture shift that is required not just within the Company but around the world.”

Anonymous  
Balfour Beatty employee



Useful material and stimulation of honest and uncomfortable conversations – a safe environment for people to explore the subject matter.”

Anonymous  
Balfour Beatty supply chain partner



ABOVE  
Photos from some of our Right to Respect training sessions.



## Supporting employees through work and life

Balfour Beatty is committed to building a caring and inclusive culture where everyone can speak openly without fear of stigma to ask for the help they need to thrive, supporting employees at various stages of life and career.

In Gammon, there has been a strong focus on increasing the number of qualified Mental Health First Aiders, with 114 employees now serving as mental health advocates. More than 1,000 participants have attended mental health workshops, supporting employees to build resilience.

In the UK, Balfour Beatty received high praise for its support for menopause in the workplace as an accredited Menopause Friendly employer – a Highly Commended accolade at the Inspiring Women in Construction and Engineering Awards as well as an award in the ‘Enhancing Wellbeing and Belonging at Work’ category at the ENEI Inclusivity Excellence Awards.

In the US, our Buildings and Civils business introduced two free preventative wellness benefits to employees under the health insurance offering, Hinge Health, which focuses on muscle and joint health care plans, and Livongo which focuses on management of diabetes and hypertension.

In the UK, our improved family-friendly leave schemes enable parents to take up to 28 weeks of leave at full pay. This is considerably higher than the UK statutory minimum and recognised as ‘Leading’ under the 2023 Bright Horizons Parental Leave and Family Support Benchmark. We also offer up to four weeks, fully paid neonatal leave, well ahead of the UK statutory changes to be implemented in 2025. We were also proud to be recognised as a Menopause Friendly employer in 2023.

## A continued commitment to our Affinity Networks

Affinity Networks form an important part of our inclusion strategy across the Group. These voluntary, employee-led groups promote a sense of belonging and inclusivity within Balfour Beatty.

2023 saw the launch of two new Affinity Networks within the Group. In the UK, a Neurodiversity and Allies Affinity Network was launched, supporting employees and their family members who may be neurodivergent. In Hong Kong, Gammon’s Chief Executive launched the Multicultural Affinity Group and expressed his delight at the creation of the network, praising the company’s growth and increased focus on diversity and inclusion.

In the US, two of our Affinity Network colleagues were winners of prestigious San Diego Business Journal awards. Annie Del Rio, Minority Business Development Specialist and member of Somos (Balfour Beatty’s US Affinity Network for Hispanic/Latin colleagues) was recognised as Latino Leader of Influence and US Buildings’ Michelle Reiner, Vice President of Operations, was named as a Top 50 LGBTQ+ Leader of Influence.

During the celebrations of National Inclusion Week in the UK, Leo Quinn, Board sponsor for Diversity and Inclusion, held a listening session with representatives from each of our Affinity Networks. The co-chairs of each Affinity Network shared their members’ day-to-day experiences and their strategic focus for the year ahead.

## Find out more about our Group’s Affinity Networks

UK



US



Gammon



## Supporting employee wellbeing in Hong Kong

In 2023, Balfour Beatty has received a number of accolades across the Group for its wellbeing initiatives. Gammon has won two Grand Awards from CTgoodjobs: Best Employee Engagement Strategy Award and Best Corporate Wellbeing Award. As this was the third consecutive time Gammon had won the Best Corporate Wellbeing Award, they were also presented with the ‘Triple Crown’ award for this category.

## GENDER BREAKDOWN

At 31 December 2023	Male	Female	Total	% Male	% Female
Board	6	3	9	66.7%	33.3%
Senior managers <sup>1</sup>	95	32	127	74.8%	25.2%
Directors of subsidiaries not included above <sup>2</sup>	33	13	46	71.7%	28.3%
Employees <sup>3</sup>	20,869	5,271	26,140	79.8%	20.2%

1 Senior managers are employees of the Company, its subsidiaries and Gammon, who have responsibility for planning, directing or controlling the activities of the Group, or a strategically significant part of it, excluding Directors of Balfour Beatty plc.

2 Directors of all subsidiaries have not been included as senior managers as this would not accurately reflect the Group’s executive pipeline.

3 All employees of the Company and its subsidiaries, together with all employees of Gammon, the Group’s 50:50 joint venture with Jardine Matheson based in Hong Kong.



# My Contribution

**My Contribution (MyC) is our engagement programme for employee-led business change giving each and every colleague a voice, empowering them to share their ideas.**

## 2023 UK PERFORMANCE

### Engaging our workforce

**2,200** ideas shared  
**26%** of employees collaborating on ideas

### Driving change

**524** ideas delivered  
**>400** Team MyC volunteers

### Creating value

**£7.6m** cost savings  
**£2.5m** cash inflows

### Great place to work

**71,800** hours saved  
**417** better place to work ideas delivered

## 2023 highlights

- › MyC Leads attended our first in-person 'Lighting the Way' MyC event to engage, motivate and inspire the creation of a high-performing, collaborative team.
- › We held our first Team MyC awards, recognising the fundamental role that Team MyC plays in the ongoing success of MyC.
- › We launched our UK Team MyC development portal containing learning modules to support personal development as well as example PDR objectives.
- › We embedded MyC into quarterly business reviews to support leadership engagement through the use of bespoke MyC dashboards.
- › We ran three MyC Live events at senior leader conferences, encouraging collaboration on key themes and generating 150 new ideas.
- › We have kicked off a MyC pilot at our HS2 Old Oak Common station project using Microsoft Teams.

- › To make MyC more accessible, particularly on our project sites, we pushed the Viva Engage app out to more than 7,000 UK mobile phones and tablets as part of our Get Appy campaign.

## 13,000... MyC's lucky number

In December, we received our 13,000th MyC idea from Lee Chandler, Procurement Category Lead. Lee's container iStore idea will enable our project sites to acquire project-specific goods from a secure on site container unit that can be collected via automated unique access codes generated by the supplier.

Working with our supply chain partner, VJ Technology, we are piloting the iStore facility at the Lewisham Gateway project which has been uniquely adapted to work with our e-Procurement solution, Jaggaer. This solution helps to reduce the project's carbon footprint through fewer deliveries and is an efficient stock management tool saving time and costs.

## Industry recognition

In November, MyC won the 'Best Use of Voice of the Employee' award at the Engage Awards, designed to recognise innovation and excellence across the entire spectrum of customer and employee engagement.

The team behind the programme, and our 400 team MyC volunteers from across the company were acknowledged for their passion, dedication and know-how in converting ideas into outcomes and making a real, tangible difference to our business.

This industry award recognises MyC as an effective, sustainable and successful programme that improves Balfour Beatty's understanding and insight of its people and their working lives.



**ABOVE**  
13,000th idea submitter, Lee Chandler, UK Procurement Category Lead.



## Deafness and hearing loss awareness

Victoria Shute, Ethics, Data Privacy and Compliance Analyst, shared her idea to support inclusivity and reduce communication barriers by raising awareness of deafness, and helping colleagues understand how simple changes in communication can reduce feelings of isolation and help everyone work more effectively together. Victoria created a hearing loss/deafness community in Viva Engage which is being used to connect colleagues, share experiences and promote opportunities to learn sign language and attend events and webinars.

Victoria also connected with our UK Ability Affinity Network which made hearing loss awareness a focus and dedicated a day to it during UK National Inclusion Week where Victoria featured in a video about her experience. The network also set up a series of events to coincide with International Day of People with Disabilities in December. This included a webinar with an external speaker, a video on Deaf Awareness in the Workplace and the release of Deaf Awareness Toolbox Talk materials.



**ABOVE** Volunteering in Leeds for Surplus To Purpose, an environmental enterprise that prevents food from becoming waste.

## Volunteer bank

Jake Holness, Environmental Sustainability Advisor, had an idea to create a volunteer bank database – a place for colleagues to express their interest in local volunteering opportunities in the UK and for people organising events to find people who would like to support volunteering activity.

With support from the wider Sustainability team, the Volunteer Bank was set up on our intranet, The Hub, and is proving to be a great success with over 125 registering in the first couple of months. This has helped set up more targeted events based on people’s preferences for volunteering and social value activity, as well as providing the opportunity to get in touch with people outside local teams and projects to take part in events, saving time and effort contacting people that have already registered their interest.

## Leveraging our capabilities through transatlantic collaboration

In our US business, Louise Adamson, Financial Controls Manager from the San Diego office, shared a MyC idea for a centralised job site setup – providing a dedicated service for our projects in the US to mobilise and demobilise temporary site set ups, saving time and cost.

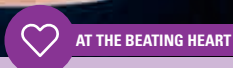
The MyC team put Louise in touch with Lisa Foster, Mobilisation Manager, who shared her knowledge and learnings from the UK Site Mobilisation Hub team, and helped Louise develop her idea, create a business case and identify the subject experts needed to support her.

Louise’s idea is being implemented in California and has the potential to become a national initiative delivering time and cost savings for the business.



**As a result of connecting with Balfour Beatty’s UK site mobilisation team and drilling into their expertise, we’ve been able to simplify operations and reduce cost by setting up our site services department in San Diego.”**

**Louise Adamson**  
Financial Controls Manager,  
Balfour Beatty’s US Buildings  
business







## NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

This section of the Strategic report constitutes the Group's Non-financial and Sustainability Information Statement, produced to comply with Sections 414CA and 414CB of the Companies Act. The non-financial information is contained within the various sections of the Strategic report and is cross-referenced below to help stakeholders find relevant information.

Reporting requirement	Policies and standards which govern our approach	Additional information necessary to understand impact	Page
<b>Anti-corruption and bribery matters</b>	Code of Ethics	Ethics and compliance	52
	Supplier Standards		
<b>Human rights</b>	Modern Slavery Statement	Ethics and compliance	52
	Code of Ethics		
<b>Employees</b>	Code of Ethics	Health, safety and wellbeing	44
	Health and safety policy	Our people	70
		Stakeholder value: employees	29
		Ethics and compliance	52
<b>Climate-related risks and opportunities</b>	Task Force on Climate-related Financial Disclosures (TCFD)	Climate change and Task Force on Climate-related Financial Disclosures (TCFD)	105
<b>Environmental matters</b>	Our sustainability strategy – Building New Futures	GHG reporting	<a href="http://www.balfourbeatty.com/ILA_2023">www.balfourbeatty.com/ILA_2023</a>
	Sustainability policy	Sustainability: Beyond Net Zero Carbon	56
	Sustainable procurement policy	Carbon Reduction Plan (PPN 06/21)	<a href="http://www.balfourbeatty.com/carbon-reduction-plan">www.balfourbeatty.com/carbon-reduction-plan</a>
	Environmental policy		
	ISO 14001:2014 and ISO 20400:2017		
<b>Social and community matters</b>	Our sustainability strategy – Building New Futures	Social value reporting	<a href="http://www.balfourbeatty.com/ILA_2023">www.balfourbeatty.com/ILA_2023</a>
	Social value policy	Ethics and compliance	52
	Code of Ethics	Stakeholder value: Communities	31
		Sustainability: Positively Impact More than 1 Million People	67



Discover more about the Group's policies at:

[WWW.BALFOURBEATTY.COM/POLICIES](http://WWW.BALFOURBEATTY.COM/POLICIES)

# Providing clarity on the Group's alternative performance measures

**The Group includes this section in its Annual Report and Accounts with the aim of providing transparency and clarity on the measures adopted internally to assess performance.**

Following the issuance of the Guidelines on Alternative Performance Measures (APMs) by the European Securities and Markets Authority (ESMA) in June 2015, the Group has included this section in its Annual Report and Accounts with the aim of providing transparency and clarity on the measures adopted internally to assess performance.

Throughout this report, the Group has presented financial performance measures which are considered most relevant to Balfour Beatty and are used to manage the Group's performance.

These financial performance measures are chosen to provide a balanced view of the Group's operations and are considered useful to investors as these measures provide relevant information on the Group's past or future performance, position or cash flows.

The APMs adopted by the Group are also commonly used in the sectors it operates in and therefore serve as a useful aid for investors to compare Balfour Beatty's performance to its peers.

The Board believes that disclosing these performance measures enhances investors' ability to evaluate and assess the underlying financial performance of the Group's operations and the related key business drivers.

These financial performance measures are also aligned to measures used internally to assess business performance in the Group's budgeting process and when determining compensation.

Equivalent information cannot be presented by using financial measures defined in the financial reporting framework alone.

## Performance measures used to assess the Group's operations

### Underlying profit from operations (PFO)

Underlying PFO is presented before non-underlying items, finance costs and investment income and is the key measure used to assess the Group's performance in the Construction Services and Support Services segments. This is also a common measure used by the Group's peers operating in these sectors.

This measure reflects the returns to the Group from services provided in these operations that are generated from activities that are not financing in nature and therefore an underlying pre-finance cost measure is more suited to assessing underlying performance.

### Underlying profit before tax (PBT)

The Group assesses performance in its Infrastructure Investments segment using an underlying PBT measure. This differs from the underlying PFO measure used to measure the Group's Construction Services and Support Services segments because in addition to margins generated from operations, there are returns to the Investments business which are generated from the financing element of its projects.

These returns take the form of subordinated debt interest receivable, interest receivable on PPP financial assets and fair value gains on certain investment assets, which are included in the Group's income statement in investment income. These are then offset by the finance cost incurred on the non-recourse debt associated with the underlying projects, fair value losses on certain investment assets and any impairment of subordinated debt and accrued interest receivable, which are included in the Group's income statement in finance costs.

### Operating cash flow (OCF)

The Group uses an internally defined measure of OCF to measure the performance of its earnings-based businesses and subsequently to determine the amount of incentive awarded to employees in these businesses under the Group's Annual Incentive Plan (AIP). This measure also aligns to one of the vesting conditions attributable to the Group's PSP awards. Refer to pages 159 to 162.

Readers of the Annual Report and Accounts are encouraged to review the financial statements in their entirety



### Measuring the Group's performance

The following measures are referred to in this Annual Report and Accounts when reporting performance, both in absolute terms and also in comparison to earlier years.

#### Statutory measures

Statutory measures are derived from the Group's reported financial statements, which have been prepared in accordance with UK-adopted international accounting standards (IFRS) and in conformity with the requirements of the Companies Act 2006.

Where a standard allows certain interpretations to be adopted, the Group has applied its accounting policies consistently. These accounting policies can be found on pages 190 to 195.

The Group's statutory measures take into account all of the factors, including those that it cannot influence (principally foreign currency fluctuations) and also non-recurring items which do not reflect the ongoing underlying performance of the Group.

#### Performance measures

In assessing its performance, the Group has adopted certain non-statutory measures because, unlike its statutory measures, these cannot be derived directly from its financial statements.

The Group commonly uses the following measures to assess its performance:

##### a) Order book

The Group's disclosure of its order book is aimed to provide insight into its pipeline of work and future performance. The Group's order book is not a measure of past performance and therefore cannot be derived from its financial statements.

The Group's order book comprises the unexecuted element of orders on contracts that have been secured. Where contracts are subject to variations, only secured contract variations are included in the reported order book.

Where contracts fall under framework agreements, an estimate is made of orders to be secured under that framework agreement. This is based on historical trends from similar framework agreements delivered in the past and the estimate of orders included in the order book is that which is probable to be secured.

In accordance with IFRS 15 Revenue from Contracts with Customers, the Group is required to disclose the remaining transaction price allocated to performance obligations not yet delivered. This can be found in Note 4.3. This is similar to the Group's order book disclosure, however it differs for the following reasons:

- › the Group's order book includes its share of orders that are reported within its joint ventures and associates. In line with section (e), the Board believes that including orders that are within the pipeline of its joint ventures and associates better reflects the size of the business and the volume of work to be carried out in the future. This differs from the statutory measure of transaction price to be allocated to remaining performance obligations which is only inclusive of secured revenue from the Group's subsidiaries;
- › as stated above, for contracts that fall under framework agreements, the Group includes in its order book an estimate of what the orders under these agreements will be worth. Under IFRS 15, each instruction under the framework agreement is viewed as a separate performance obligation and is included in the statutory measure of the remaining transaction price when received but estimates for future instructions are not; and
- › the Group's order book does not include revenue to be earned in its Infrastructure Investments segment as the value of this part of the business is driven by the Directors' valuation of the Investments portfolio. Refer to section (i).

##### b) Underlying performance

The Group adjusts for certain non-underlying items which the Board believes assists in understanding the performance achieved by the Group. These items include:

- › gains and losses on the disposal of businesses and investments, unless this is part of a programme of releasing value from the disposal of similar businesses or investments such as infrastructure concessions;
- › costs of major restructuring and reorganisation of existing businesses;
- › costs of integrating newly acquired businesses;
- › acquisition and similar costs related to business combinations such as transaction costs;
- › impairment and amortisation charges on intangible assets arising on business combinations (amortisation of acquired intangible assets); and
- › impairment of goodwill.

These are non-underlying costs as they do not relate to the underlying performance of the Group.

From time to time, it may be appropriate to disclose further items as non-underlying items in order to reflect the underlying performance of the Group.

Further details of non-underlying items are provided in Note 10.

A reconciliation has been provided on page 83 to show how the Group's statutory results are adjusted to exclude non-underlying items and their impact on its statutory financial information, both as a whole and in respect of specific line items.



**Reconciliation of order book to transaction price to be allocated to remaining performance obligations**

	2023 £m	2022 £m
Order book (performance measure)	16,532	17,390
Less: Share of orders included within the Group's joint ventures and associates	(2,344)	(3,275)
Less: Estimated orders under framework agreements included in the order book disclosure	–	(25)
Add: Transaction price allocated to remaining performance obligations in Infrastructure Investments*	1,917	2,009
Transaction price allocated to remaining performance obligations for the Group* (statutory measure)	16,105	16,099

\* Refer to Note 4.3.

**Reconciliation of 2023 statutory results to performance measures**

	2023 statutory results £m	Non-underlying items		2023 performance measures £m
		Intangible amortisation £m	Provision in relation to rectification works in London £m	
<b>Revenue including share of joint ventures and associates (performance)</b>	<b>9,595</b>	–	–	<b>9,595</b>
Share of revenue of joint ventures and associates	(1,602)	–	–	(1,602)
<b>Group revenue (statutory)</b>	<b>7,993</b>	–	–	<b>7,993</b>
Cost of sales	(7,593)	–	12	(7,581)
<b>Gross profit</b>	<b>400</b>	–	12	<b>412</b>
Gain on disposals of interests in investments	24	–	–	24
Amortisation of acquired intangible assets	(5)	5	–	–
Other net operating expenses	(261)	–	–	(261)
<b>Group operating profit</b>	<b>158</b>	5	12	<b>175</b>
Share of results of joint ventures and associates	53	–	–	53
<b>Profit from operations</b>	<b>211</b>	5	12	<b>228</b>
Investment income	82	–	–	82
Finance costs	(49)	–	–	(49)
<b>Profit before taxation</b>	<b>244</b>	5	12	<b>261</b>
Taxation	(50)	(3)	(3)	(56)
<b>Profit for the year</b>	<b>194</b>	2	9	<b>205</b>

**Reconciliation of 2023 statutory results to performance measures by segment**

	2023 statutory results £m	Non-underlying items		2023 performance measures £m
		Intangible amortisation £m	Provision in relation to rectification works in London £m	
Profit/(loss) from operations				
<b>Segment</b>				
Construction Services	143	1	12	156
Support Services	80	–	–	80
Infrastructure Investments	27	4	–	31
Corporate activities	(39)	–	–	(39)
<b>Total</b>	<b>211</b>	5	12	<b>228</b>



Measuring the Group's performance continued

Performance measures continued

Reconciliation of 2022 statutory results to performance measures

	2022 statutory results £m	Non-underlying items			2022 performance measures £m
		Intangible amortisation £m	Release of Heery provision £m	UK deferred tax assets revaluation £m	
<b>Revenue including share of joint ventures and associates (performance)</b>	8,931	–	–	–	8,931
Share of revenue of joint ventures and associates	(1,302)	–	–	–	(1,302)
<b>Group revenue (statutory)</b>	7,629	–	–	–	7,629
Cost of sales	(7,202)	–	–	–	(7,202)
<b>Gross profit</b>	427	–	–	–	427
Amortisation of acquired intangible assets	(6)	6	–	–	–
Other net operating expenses	(251)	–	(2)	–	(253)
<b>Group operating profit</b>	170	6	(2)	–	174
Share of results of joint ventures and associates	105	–	–	–	105
<b>Profit from operations</b>	275	6	(2)	–	279
Investment income	50	–	–	–	50
Finance costs	(38)	–	–	–	(38)
<b>Profit before taxation</b>	287	6	(2)	–	291
Taxation	–	1	–	(2)	(1)
<b>Profit for the year</b>	287	7	(2)	(2)	290

Reconciliation of 2022 statutory results to performance measures by segment

Profit/(loss) from operations	2022 statutory results £m	Non-underlying items			2022 performance measures £m
		Intangible amortisation £m	Release of Heery provision £m		
<b>Segment</b>					
Construction Services	150	1	(2)		149
Support Services	83	–	–		83
Infrastructure Investments	76	5	–		81
Corporate activities	(34)	–	–		(34)
<b>Total</b>	275	6	(2)		279

### c) Underlying profit before tax

As mentioned on page 81, the Group's Infrastructure Investments segment is assessed on an underlying profit before tax (PBT) measure. This is calculated as follows:

	2023 £m	2022 £m
Underlying profit from operations (section (b) and Note 5)	31	81
Add: Subordinated debt interest receivable*	34	27
Add: Interest receivable on PPP financial assets*	2	2
Add: Fair value (loss)/gain on investment asset*	(1)	6
Less: Non-recourse borrowings finance cost*	(11)	(9)
Less: Net impairment of subordinated debt and accrued interest receivable*	(8)	(2)
Underlying profit before tax (performance)	47	105
Non-underlying items (section (b) and Note 5)	(4)	(5)
Statutory profit before tax	43	100

\* Refer to Note 8 and Note 9.

### d) Underlying earnings per share

In line with the Group's measurement of underlying performance, the Group also presents its earnings per share (EPS) on an underlying basis. The table below reconciles this to the statutory earnings per share.

Reconciliation from statutory basic EPS to performance EPS

	2023 Pence	2022 Pence
Statutory basic earnings per ordinary share	35.3	46.9
Amortisation of acquired intangible assets after tax	0.4	1.2
Other non-underlying items after tax	1.6	(0.6)
Underlying basic earnings per ordinary share (performance)	37.3	47.5

### e) Revenue including share of joint ventures and associates (JVAs)

The Group uses a revenue measure which is inclusive of its share of revenue generated from its JVAs. As the Group uses revenue as a measure of the level of activity performed by the Group, the Board believes that including revenue that is earned from its JVAs better reflects the size of the business and the volume of work carried out and more appropriately compares to PFO.

This differs from the statutory measure of revenue which presents Group revenue from its subsidiaries.

A reconciliation of the statutory measure of revenue to the Group's performance measure is shown in the tables in section (b). A comparison of the growth rates in statutory and performance revenue can be found in section (j).

### f) Operating cash flow (OCF)

The table below reconciles the Group's internal performance measure of OCF to the statutory measure of cash generated from operating activities as reported in the Group statement of cash flows (page 187).

Reconciliation from statutory cash generated from operations to OCF

	2023 £m	2022 £m
Cash generated from operating activities (statutory)	285	168
Add back: Pension payments including deficit funding (Note 30.2)	28	43
Less: Repayment of lease liabilities (including lease interest payments) (Note 28)	(63)	(58)
Add: Operational dividends received from joint ventures and associates (Note 19.5)	59	89
Add back: Cash flow movements relating to non-operating items	9	(12)
Less: Operating cash flows relating to non-recourse activities	(8)	(11)
Operating cash flow (OCF) (performance)	310	219

The Group includes/excludes these items to reflect the true cash flows generated from or used in the Group's operating activities:

Pension payments including deficit funding (£28m): the Group has excluded pension payments which are included in the Group's statutory measure of cash flows from operating activities from its internal OCF measure as these primarily relate to deficit funding of the Group's main pension fund, Balfour Beatty Pension Fund (BBPF). The payments made for deficit funding are in accordance with an agreed journey plan with the trustees of the BBPF and are not directly linked to the operational performance of the Group.



## Measuring the Group's performance continued

### Performance measures continued

#### f) Operating cash flow (OCF) continued

Repayment of lease liabilities (including lease interest payments) (£63m outflow): the payments made for the Group's leasing arrangements are included in the Group's OCF measure as these payments are made to third-party suppliers for the lease of assets that are used to deliver services to the Group's customers, and hence to generate revenue. Under IFRS, these payments are excluded from the Group's statutory measure of cash flows from operating activities as these are considered debt in nature under accounting standards.

Operational dividends received from joint ventures and associates (£59m inflow): dividends received from joint ventures and associates which are generated from non-disposal activities are included in the Group's OCF measure as these are cash returns to the Group from cash flows generated from operating activities within joint ventures and associates. Under IFRS, these returns are classified as investing activities.

Cash flow movements relating to non-operating items (£9m): the Group's OCF measure excludes certain working capital movements that are not directly attributable to the Group's operating activities.

Operating cash flows relating to non-recourse activities (£8m): the Group's OCF measure is specifically targeted to drive performance improvement in the Group's earnings-based businesses and therefore any operating cash flows relating to non-recourse activities are removed from this measure. Under IFRS, there is no distinction between recourse and non-recourse cash flows.

#### g) Recourse net cash/borrowings

The Group also measures its performance based on its net cash/borrowings position at the year end. This is analysed by excluding elements that are non-recourse to the Group as well as lease liabilities.

Non-recourse elements are cash and debt that are ring-fenced within certain infrastructure concession project companies and are excluded from the definition of net debt set out in the Group's borrowing facilities. In addition, lease liabilities which are deemed to be debt in nature under statutory measures are also excluded from the Group's definition of net cash/borrowings as these are viewed to be operational in nature reflecting payments made in exchange for use of assets.

#### Net cash/borrowings reconciliation

	2023 statutory £m	Adjustment £m	2023 performance £m	2022 statutory £m	Adjustment £m	2022 performance £m
<b>Total cash within the Group</b>	<b>1,414</b>	<b>(306)</b>	<b>1,108</b>	1,179	(19)	1,160
Cash and cash equivalents – infrastructure concessions	306	(306)	–	19	(19)	–
– other	1,108	–	1,108	1,160	–	1,160
<b>Total debt within the Group</b>	<b>(979)</b>	<b>713</b>	<b>(266)</b>	(738)	393	(345)
Borrowings – non-recourse loans	(570)	570	–	(261)	261	–
– other	(266)	–	(266)	(345)	–	(345)
Lease liabilities	(143)	143	–	(132)	132	–
<b>Net cash</b>	<b>435</b>	<b>407</b>	<b>842</b>	441	374	815

#### h) Average net cash/borrowings

The Group uses an average net cash/borrowings measure as this reflects its financing requirements throughout the year. The Group calculates its average net cash/borrowings based on the average opening and closing figures for each month through the year.

The average net cash/borrowings measure excludes non-recourse cash and debt and lease liabilities, and this performance measure shows average net cash of £700m for 2023 (2022: £804m).

Using a statutory measure (inclusive of non-recourse elements and the lease liabilities recognised) gives average net cash of £438m for 2023 (2022: £430m).

#### i) Directors' valuation of the Investments portfolio

The Group uses a different methodology to assess the value of its Investments portfolio. As described on pages 42 and 43, the Directors' valuation for most of the investments in the portfolio has been undertaken using forecast cash flows for each project on an asset by asset basis, based on progress to date and market expectations of future performance. These cash flows have been discounted using different discount rates depending on project risk and maturity, reflecting secondary market transaction experience. As such, the Board believes that this measure better reflects the potential returns to the Group from those investments.

The Directors have valued the Investments portfolio at £1.21bn at year end (2022: £1.29bn).

The Directors' valuation will differ from the statutory carrying value of these investments, which are accounted for using the relevant standards in accordance with IFRS rather than a discounted cash flow approach.

Reconciliation of the net assets of the Infrastructure Investments segment to the comparable statutory measure of the Investments portfolio included in the Directors' valuation

	2023 £m	2022 £m
Net assets of the Infrastructure Investments segment (refer to Note 5.1)	596	593
Less: Net assets not included within the Directors' valuation – Housing division	(53)	(30)
Comparable statutory measure of the Investments portfolio under IFRS	543	563

Comparison of the statutory measure of the Investments portfolio to its performance measure

	2023 £m	2022 £m
Statutory measure of the Investments portfolio (as above)	543	563
Difference arising from the Directors' valuation being measured on a discounted cash flow basis compared to the statutory measure primarily derived using a combination of the following IFRS bases:		
– historical cost		
– amortised cost		
– fair value	669	728
Directors' valuation (performance measure)	1,212	1,291

The difference between the statutory measure and the Directors' valuation (performance measure) of the Group's Investments portfolio is not equal to the gain on disposal that would result if the portfolio was fully disposed at the Directors' valuation. This is because the gain/loss on disposal would be affected by the recycling of items which were previously recognised directly within reserves, which are material and can alter the resulting gain/loss on disposal.

The statutory measure and the Directors' valuation are fundamentally different due to the different methodologies used to derive the valuation of these assets within the Investments portfolio.

As referred to in the Strategic report on page 42, the Directors' valuation for most investments is calculated using discounted cash flows. In deriving these cash flows, assumptions have been made and different discount rates used which are updated at each valuation date.

Unlike the Directors' valuation, the assets measured under statutory measures using the appropriate IFRS accounting standards are valued using a combination of the following methods:

- › historical cost;
- › amortised cost; and
- › fair value for certain assets and liabilities within the PPP portfolio, for which some assumptions are set at inception and some are updated at each valuation date.

There is also an element of the Directors' valuation that is not represented by an asset in the Group's balance sheet. This relates to the management services contracts within the Investments business that are valued in the Directors' valuation based on the future income stream expected from these contracts.

#### j) Constant exchange rates (CER)

The Group operates across a variety of geographic locations and in its statutory results, the results of its overseas entities are translated into the Group's presentational currency at average rates of exchange for the year. The Group's key exchange rates applied in deriving its statutory results are shown in Note 3.

To measure changes in the Group's performance compared with the previous year without the effects of foreign currency fluctuations, the Group provides growth rates on a CER basis. These measures remove the effects of currency movements by retranslating the prior year's figures at the current year's exchange rates, using average rates for revenue and closing rates for order book. A comparison of the Group's statutory growth rate to the CER growth rate is provided in the table below:

2023 statutory growth compared to performance growth

	Construction Services				Support Services	Infrastructure Investments	Total
	UK	US	Gammon	Total			
<b>Revenue (£m)</b>							
2023 statutory	3,027	3,668	–	6,695	1,006	292	7,993
2022 statutory	2,763	3,646	–	6,409	988	232	7,629
<b>Statutory growth</b>	<b>10%</b>	<b>1%</b>	<b>–</b>	<b>4%</b>	<b>2%</b>	<b>26%</b>	<b>5%</b>
2023 performance*	3,027	3,697	1,357	8,081	1,006	508	9,595
2022 performance retranslated*	2,763	3,647	1,066	7,476	989	460	8,925
<b>Performance CER growth</b>	<b>10%</b>	<b>1%</b>	<b>27%</b>	<b>8%</b>	<b>2%</b>	<b>10%</b>	<b>8%</b>
<b>Order book (£bn)</b>							
2023	6.1	5.6	2.0	13.7	2.8	–	16.5
2022	6.1	6.0	2.9	15.0	2.4	–	17.4
<b>Growth</b>	<b>–</b>	<b>(7)%</b>	<b>(31)%</b>	<b>(9)%</b>	<b>17%</b>	<b>–</b>	<b>(5)%</b>
2023	6.1	5.6	2.0	13.7	2.8	–	16.5
2022 retranslated	6.1	5.6	2.8	14.5	2.4	–	16.9
<b>CER growth</b>	<b>–</b>	<b>–</b>	<b>(29)%</b>	<b>(6)%</b>	<b>17%</b>	<b>–</b>	<b>(2)%</b>

\* Performance revenue is underlying revenue including share of revenue from joint ventures and associates as set out in section (e).



# A year of solid performance



**Philip Harrison**  
Chief Financial Officer

## Group financial summary

The Group's results for 2023 show a solid performance against a backdrop of challenging economic conditions. Revenue, including the Group's share of the revenue of joint ventures and associates, increased by 7% (8% at constant exchange rates (CER)) to £9,595 million (2022: £8,931 million) driven by an increase in Construction Services. Statutory revenue, which excludes joint ventures and associates, was £7,993 million (2022: £7,629 million).

The underlying profit from operations for the year reduced to £228 million (2022: £279 million) despite an incremental increase in PFO from the earnings-based businesses, as gains on investment disposals reduced by £44 million. Corporate activity costs rose in 2023, due largely to higher salaries following inflationary increases, audit fees and share-based remuneration. Statutory profit from operations was £211 million (2022: £275 million).

Net finance income of £33 million (2022: £12 million) improved as a result of higher interest rates. Underlying pre-tax profit was £261 million (2022: £291 million). The taxation charge on underlying profits increased to £56 million (2022: £1 million) as there were no tax credits relating to the recognition of additional UK tax losses (2022: £56 million). This resulted in underlying profit after tax of £205 million (2022: £290 million). Total statutory profit after tax for the year was £194 million (2022: £287 million), as a result of the net effect of non-underlying items.

Underlying basic earnings per share was 37.3 pence (2022: 47.5 pence), which, along with a non-underlying loss per share of 2.0 pence (2022: 0.6 pence), gave a total basic earnings per share of 35.3 pence (2022: 46.9 pence). This included the benefit from the basic weighted average number of ordinary shares reducing to 558 million (2022: 612 million) as a result of the Group's share buyback programme.

## Non-underlying items

The Board believes non-underlying items should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group.

Non-underlying items after taxation were a net charge of £11 million for the period (2022: £3 million). Items included a £9 million post-tax charge in relation to an increase to a provision, which was recognised in 2021 for stone cladding rectification works, updated to current price expectations, and a £2 million post-tax charge relating to the amortisation of acquired intangible assets. Further detail is provided in Note 9.

## Cash flow performance

The Group's net cash increased by £27 million in the year (2022: £25 million), resulting in a year end net cash position of £842 million (2022: £815 million), excluding non-recourse net borrowings and lease liabilities. Operating cash flows were ahead of profit from operations. Cash from operations, which included a working capital inflow, was largely offset by shareholder returns and a higher than normal programme of capital expenditure. 2023 was a peak year for capital expenditure, with increased levels of investment in Support Services to aid the Group's medium-term growth plans. 2024 capital expenditure is expected to be close to 2022 levels.



**RESULTS FOR THE YEAR**

	2023 £m		2022 £m	
	Underlying <sup>2</sup>	Total	Underlying <sup>2</sup>	Total
Revenue <sup>1</sup>	9,595	9,595	8,931	8,931
Profit from earnings-based businesses	236 <sup>#</sup>	223	232 <sup>#</sup>	233
Profit from operations	228 <sup>#</sup>	211	279 <sup>#</sup>	275
Pre-tax profit	261	244	291	287
Profit for the year	205	194	290	287
Basic earnings per share	37.3p	35.3p	47.5p	46.9p
Dividends per share		11.5p		10.5p

**UNDERLYING PROFIT/(LOSS) FROM OPERATIONS<sup>2</sup>**

	2023 £m	2022 £m
UK Construction	69	59
US Construction	51	58
Gammon	36	32
Construction Services	156	149
Support Services	80	83
Earnings-based businesses	236	232
Infrastructure Investments pre-disposal operating profit	5	11
Infrastructure Investments gain on disposals	26	70
Corporate activities	(39)	(34)
<b>Total</b>	<b>228</b>	<b>279</b>

1 Including share of joint ventures and associates.

2 Before non-underlying items (Note 10).

3 Excluding non-recourse net borrowings, which comprise cash and debt ringfenced within certain infrastructure investments project companies, and lease liabilities.

# Underlying profit from operations, or PFO, as defined in the Measuring our financial performance section.

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section.

**CASH FLOW PERFORMANCE**

	2023 £m	2022 £m
Operating cash flows before working capital movements and pension deficit payments	258	282
Working capital inflow / (outflow)	63	(54)
Pension deficit payments <sup>+</sup>	(28)	(43)
Cash from operations	293	185
Lease payments (including interest paid)	(63)	(58)
Dividends from joint ventures and associates <sup>∞</sup>	59	89
Capital expenditure	(66)	(31)
Share buybacks	(151)	(151)
Dividends paid	(58)	(58)
Infrastructure Investments		
– disposal proceeds	61	93
– new investments	(31)	(30)
Other	(17)	(14)
Net cash movement	27	25
Opening net cash*	815	790
Closing net cash*	842	815

\* Excluding infrastructure investments (non-recourse) net borrowings and lease liabilities.

+ Including £3 million (2022: £2 million) of regular funding.

∞ Excluding £1 million (2022: £59 million) dividends received in relation to Investments asset disposals within joint ventures and associates.

Unless otherwise stated, all commentary in this section relates to financial performance measures. Refer to the Measuring our performance section on pages 81 to 87.



### Working capital

A working capital inflow of £63 million (2022: £54 million outflow) was favourable to the outflow previously expected for the year, driven by a spike in the negative working capital position during the final weeks of December. The inflow reported for 2023 is not reflective of the trend observed throughout the year of average negative working capital reducing.

Working capital flows <sup>^</sup>	2023 £m	2022 £m
Inventories	(11)	(6)
Net contract assets	(48)	(137)
Trade and other receivables	(73)	34
Trade and other payables	177	57
Provisions	18	(2)
Working capital inflow / (outflow) <sup>^</sup>	63	(54)

<sup>^</sup> Excluding impact of foreign exchange and disposals.

Including the impact of foreign exchange and non-operating items, negative (i.e. favourable) current working capital increased to £1,230 million (2022: £1,167 million). In the medium term, the Group expects negative working capital as a percentage of revenue to be around the top of its historical long term average of 11-13% (2023: 15.4%; 2022: 15.3%) with the range continuing to be dependent on contract mix and the timing of project starts and completions.

### Net cash/borrowings

The Group's average net cash reduced to £700 million in 2023 (2022: £804 million). The Group's year end net cash position, excluding non-recourse net borrowings and lease liabilities, was £842 million (2022: £815 million).

Non-recourse net borrowings, held in Infrastructure Investments entities consolidated by the Group, were £264 million (2022: £242 million). The balance sheet also included £143 million for lease liabilities (2022: £132 million). Statutory net cash at 31 December 2023 was £435 million (2022: £441 million).

### Share buyback

On 3 January 2023, Balfour Beatty commenced an initial £50 million tranche of its 2023 share buyback programme, which was subsequently increased, following the release of its 2022 full year results, to £150 million on 20 March 2023. The Group completed the 2023 share buyback programme on 15 December 2023, having purchased 43.3 million shares, which were held in treasury. These shares were subsequently cancelled on 20 December 2023. The Group commenced the initial £50 million tranche of its 2024 share buyback programme on 2 January 2024.

### Banking facilities

In June 2023, the Group completed the refinancing of its core £375 million revolving credit facility, which was set to expire in October 2024, replacing it with a new £475 million facility that will expire in June 2027 (the RCF). The RCF has an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility. The RCF is a Sustainability Linked Loan, retaining the KPIs that featured in the prior facility. The RCF ensures the Group will retain strong liquidity support from a diverse banking group.

In March 2023, the Group repaid US\$209 million of US Private Placement (USPP) notes as they fell due. The repayment was funded primarily from the proceeds of debt issuance arranged in 2022, specifically US\$158 million of new USPP notes issued in June 2022 (US\$35 million 6.31% notes maturing in June 2027, US\$80 million 6.39% notes maturing in June 2029 and US\$43 million 6.45% notes maturing in June 2032) and a new bilateral committed facility, which expires in December 2024 and was fully utilised through a US\$36 million drawdown in March 2023. The US\$36 million drawdown was repaid in September 2023. This £30 million bilateral facility has an extension option for a further three years subject to certain specific conditions that were met on the completion of the refinancing of the Group's core facility in June 2023. As at the end of the year the Group had not triggered the bilateral facility's extension option.

### Going concern

The Directors have considered the Group's medium term cash forecasts and conducted stress-test analysis on these projections in order to assess the Group's ability to continue as a going concern. Having also made appropriate enquiries, the Directors consider it reasonable to assume that the Group has adequate resources to continue for the period of at least 12 months from the date of approval of the financial statements and, for this reason, have continued to adopt the going concern basis in preparing the full year Group financial statements. Further detail is provided in Note 1.3 Going Concern.

### Pensions

Balfour Beatty and the trustees of the Balfour Beatty Pension Fund (BBPF) have reconfirmed their commitment to a journey plan approach to managing the BBPF whereby the BBPF is aiming to reach self-sufficiency by 2027. The Company and the trustees have agreed the 31 March 2022 formal valuation, and as a result Balfour Beatty paid deficit contributions to the BBPF of £19 million in 2023 and will pay deficit contributions of £24 million in 2024 and

£6 million in 2025. The Company and the trustees are making good progress with plans to reduce the overall risk in the scheme and the Company has agreed that additional amounts will become payable at £2 million per month from March 2025 if the BBPF's performance is materially different from that expected. The next formal triennial funding valuation of the BBPF is due with effect from 31 March 2025.

Following the formal triennial funding valuation of the Railways Pension Scheme (RPS) as at 31 December 2019, the Group agreed to continue to make deficit contributions of £6 million per annum which should reduce the funding deficit to zero by 2025. A formal triennial funding valuation of the RPS as at 31 December 2022 is currently ongoing. The trustee and Balfour Beatty have reached agreement in principle as to the financial and demographic assumptions to be adopted for the purpose of this valuation, which would include the Group continuing to make deficit contributions of £6 million per annum until February 2025.

The Group's balance sheet includes net retirement benefit assets of £69 million (2022: £223 million) as measured on an IAS 19 basis, with the surpluses on the BBPF (£101 million) and RPS (£3 million) partially offset by deficits on other schemes (£35 million).

### Dividend

The Board is committed to a sustainable ordinary dividend which is expected to grow over time, targeted at a pay-out ratio of 40% of underlying profit after tax excluding gains on disposal of Investments assets.

Following the 3.5 pence per ordinary share interim dividend declared at the half year, the Board is recommending a final dividend of 8.0 pence per share, giving a total recommended dividend for the year of 11.5 pence per share (2022: 10.5 pence per share).

**Philip Harrison**  
Chief Financial Officer

12 March 2024

# Challenging our outlook on business risk

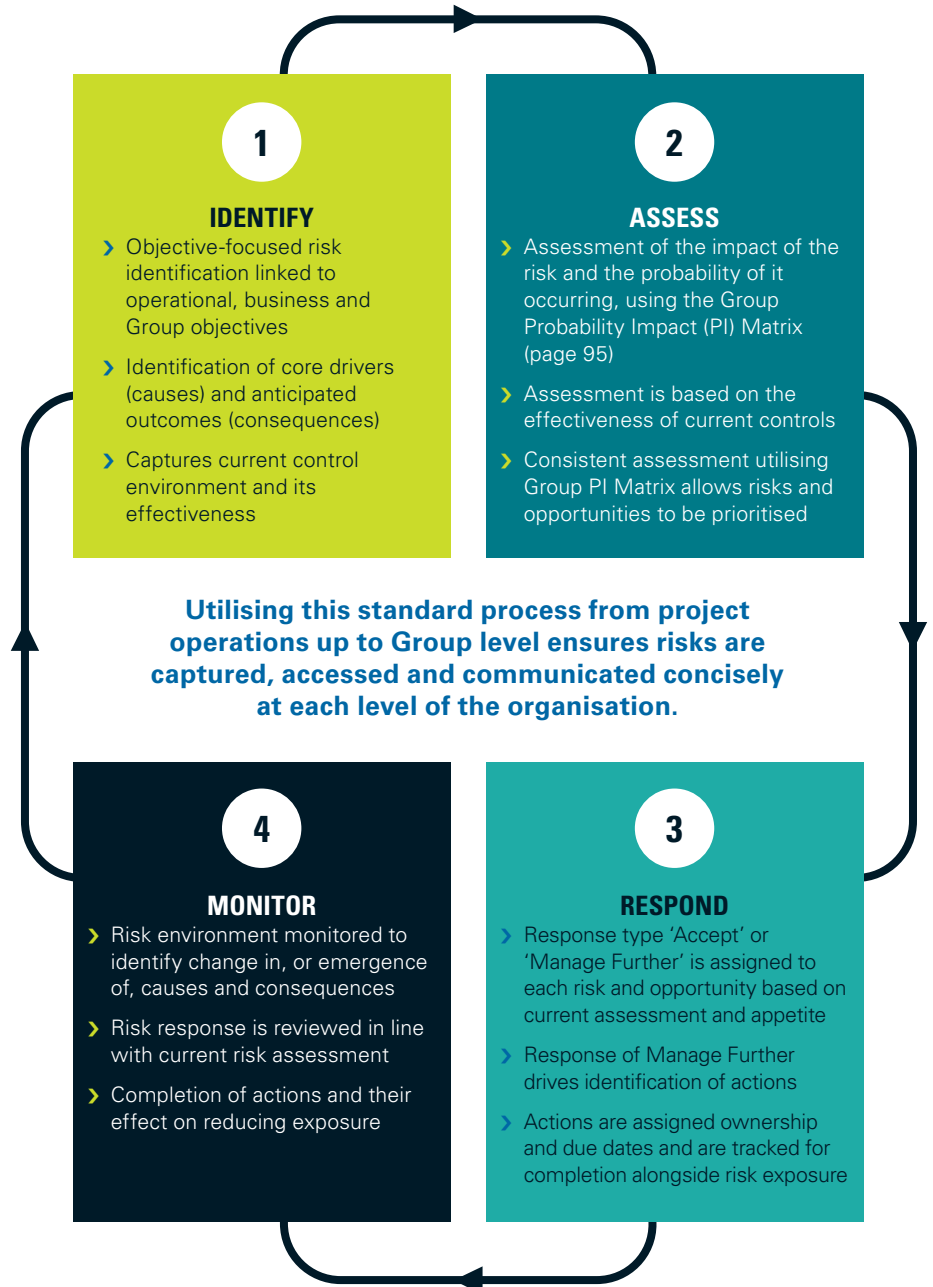
## Introduction

The Group risk profile in 2023 has continued to reflect the political uncertainty and economic turbulence seen in 2022, both within the construction sector and beyond. The Group's risk management processes have continued to provide a consistent platform in responding to this, where key drivers identified across multiple risks are monitored and managed throughout the year, minimising the potential exposure posed by the instability within the economy.

In 2023 the central Group risk management function undertook an exercise designed to enhance the existing review process by considering risks in the context of business disruption and broader horizon scanning. This workstream challenged the business to contemplate risks in the context of disruption to ongoing operations and objectives, and the future viability of the business model, beyond traditional time horizons. It also sought to explore whether there were aggregations or combinations of disruptive events that concerned the business, and what potential significant outcomes could be presented should the risks occur simultaneously. Prompts included key areas such as political, reputational, economic, technological and market risk to support discussions. The outcomes of the exercise sought to highlight drivers to existing Group risks, identify any new Group risks or identify Emerging Risks (see page 95) to the Group to be tracked and monitored.

The Group's risk process continues to maintain a consistent approach and taxonomy across the organisation. As the integration of the Enterprise Risk Management (ERM) framework evolves, the central Group Risk Management function maintains oversight to ensure processes remain current and continues to ensure Group adherence to regulatory requirements and good practice in its approach to identifying, assessing, responding to, and monitoring risk.

## Balfour Beatty's risk management process





**Our risk management process**

Balfour Beatty’s simple four-step process ensures the consistent identification, assessment, response to, and monitoring of risk across the organisation. Utilising this standard process from project operations up to Group level ensures risks are captured, assessed and communicated concisely at each level of the organisation. Embedding this process into operational and business environments ensures the consideration of risk and opportunity remains central to making decisions.

**Circles of Risk**

Balfour Beatty’s Circles of Risk continues to act as a core tool that frames early risk-based discussions in the Gated Business Lifecycle review process to ensure strategic opportunities and pursuits remain in line with our appetite around location, customer, supply chain, project scope and contractual terms. The Gated Business Lifecycle is a business-wide method of reviewing, approving and monitoring of new business opportunities.

The Circles of Risk guidance supports work winning teams in ensuring high-level risks are understood early in the pursuit of a project and acts as a key control in highlighting any ‘show stoppers’. It drives teams to consider and sets out response types to any key risks as the opportunity evolves through approval gates.

The guidance reflects experience from past delivery and lessons learnt across a diverse customer base, with proposed controls aligned to the Group’s operating and commercial principles.

This approach allows Balfour Beatty to make decisions in the context of its risk appetite and stay ahead of potential exposures by ensuring:

- the opportunity aligns to Group objectives, business growth strategies and defined risk tolerances;
- all pursuits are assessed consistently so that potential opportunities that do not fit with approved business objectives are qualified out; and
- appropriate mitigation strategies are developed in order to pursue the opportunity whilst protecting the Group’s operating and commercial principles.

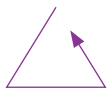
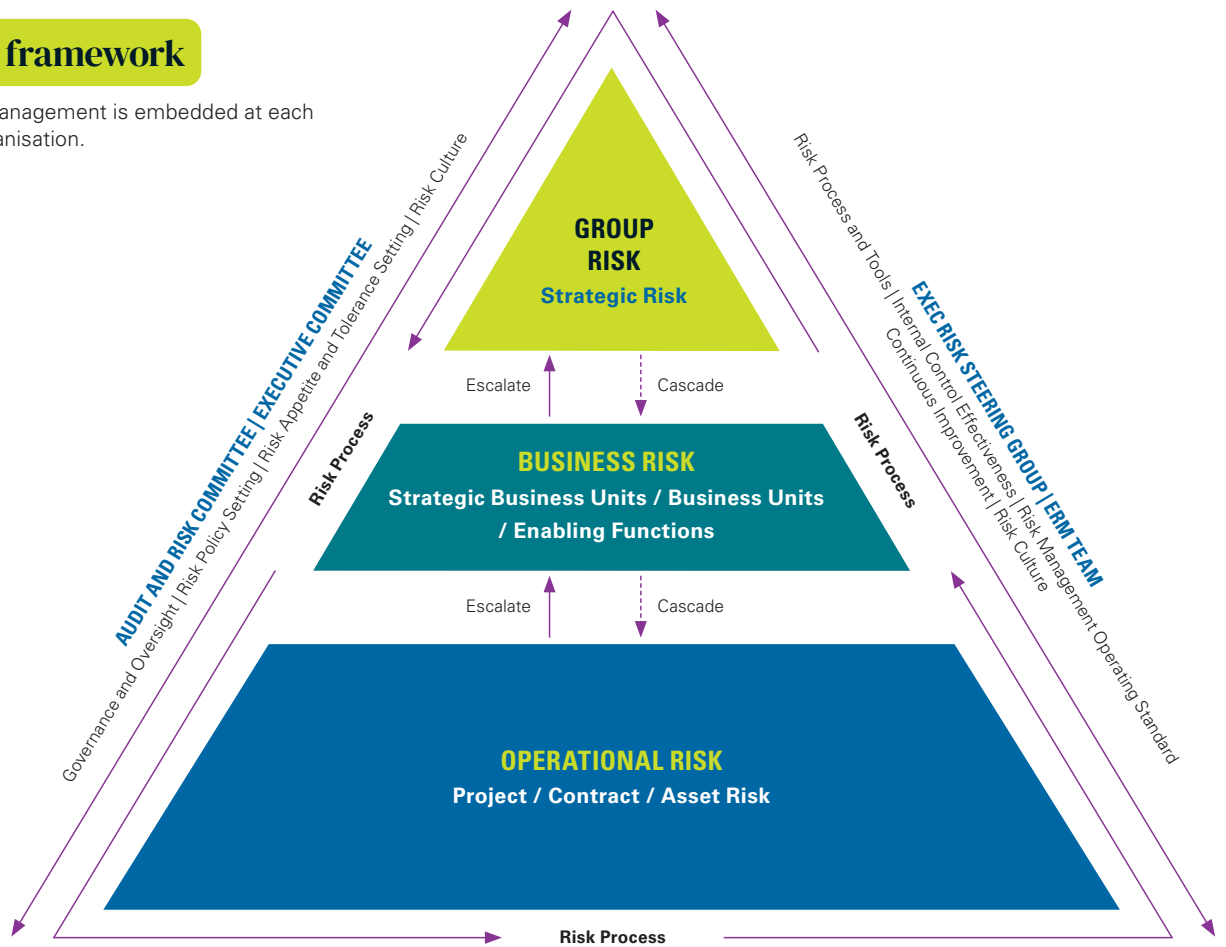
**“The Group’s risk process continues to maintain a consistent approach and taxonomy across the organisation.”**





## Our risk framework

Ensuring risk management is embedded at each level of the organisation.



### Governance and oversight

The Board accepts overall responsibility for risk management, with oversight of the Group Risk Framework and its application across the business. The Board also ultimately determines the nature and extent of the principal risks the Company is willing to take in the pursuit of its longer-term strategic objectives. The Directors continue to review the overall effectiveness of the risk management framework and internal control systems, including the financial, operational and compliance processes and controls that are in place to prevent the occurrence or limit the impacts of risks. The Board reviews the Group risk profile at half and full year which includes a review of Emerging and Principal risks faced by the Group. The Audit and Risk Committee provides independent oversight of the effectiveness of the Group's risk management and associated internal control environment.



### Group risk management

The Group's risk management process allows the Group Chief Executive to monitor the risk profile of the business through the Executive Committee (ExCom) and the Executive Risk Steering Group (ERSG).

Executive sponsorship for risk management is provided by members of the ERSG who provide valuable input to Group risk themes based on profiles within their respective businesses and functions. Maintaining all Business, Functional and Operational risk registers alongside the Group risk register within the IRIS ERM system, enables greater visibility of core and common themes and linkage of these themes between the Group and business risk profiles to better inform half and full year reviews. Work has taken place during 2023 to align both US and UK leaders for Functional reviews to improve understanding of functional risk profiles and to provide greater insight on trends and movements.



### Business risk management

Balfour Beatty's business units are distinct and diverse, meaning risk profiles differ across operations. Having a consistent approach in both UK and US based businesses is essential to gaining insight into business risk and rolling this up to Group level. The adoption of the IRIS ERM system by Strategic Business Units (SBU) has increased oversight of operational and business risk profiles to support decision making in line with pursuit of strategies. Work is ongoing to establish SBU-specific risk appetites to better inform risks requiring escalation to senior management in the context of each SBU's business objectives.



### Operational risk

The Gated Business Lifecycle remains a fundamental control in the management of Operational risk across Balfour Beatty's operations. The review of risk profiles undertaken at each review gate puts risk-based decision making at the heart of both current projects and future pursuits. PowerBI Reporting provides the business with insight to risk profiles which can aid timely escalation of project risk to business leadership, and prompt appropriate management response. The quality of risk information is constantly evolving, supported by internal and operational audit activities and championed by expectations set by Senior Leadership on the importance of risk. The business is continually exploring how data from current systems can be correlated with risk profiles to better understand where there may be unidentified risk exposures and support a commonality on management response. Utilising data from previous risk events, whether the exposures were realised or the risk was managed well, can be used to better understand risk profiles for new pursuits.



## RISK MANAGEMENT CONTINUED

### Risk attitude and appetite

Risks that the Group is exposed to throughout day-to-day delivery and the longer-term pursuit of strategic objectives continue to be monitored in line with appetite – and decisions taken in line with the organisation’s attitude to risk.

The Group’s risk appetite remains aligned to the Build to Last strategy, ensuring that

risk-based decision making on whether to accept or further manage risk supports the pursuit of its objectives. The strength and ongoing effectiveness of the internal control environment within the risk structure outlined on pages 145 to 151 is considered when addressing risk appetite.

The Board, its sub-committees and executive management discuss and measure the nature and extent of current and Emerging Risks faced by the Group in achieving its

long-term strategic objectives. This requires biannual review of the effectiveness of its internal control environment within the risk management structure outlined on pages 145 to 151. The outcome of this assessment represents the Group’s risk appetite and can be set out in the context of the Group’s values as shown below.

#### Build to Last strategy

#### Risk attitude

#### Appetite

#### Related principal risks

### Lean

We create value for our customers and drive continuous improvement

Balfour Beatty remains committed to challenging ways of working to improve outcomes and become more competitive.

The Group is prepared to accept a level of operational risk in its delivery of cost effective solutions.

Such risks must not be at the expense of meeting customer requirements.

The Group’s risk appetite for efficiency remains moderate.



REMAINS MODERATE

7 9 12  
p100 p101 p102

### Expert

Our highly skilled colleagues and partners set us apart

Balfour Beatty continues to develop its expertise in engineering, computer science, robotics, data analytics, electronics and electrical and mechanical engineering to deliver the very best solutions to its customers.

This drive for sustained innovation is undertaken with industry experts in managed and safe environments to minimise risk.

The Group continues to have a moderate appetite for expert risk.



REMAINS MODERATE

2 3 6 7 13  
p97 p97 p99 p100 p103

### Trusted

We deliver on our promises and we do the right thing

Balfour Beatty must deliver on its promises to stakeholders.

Aligning delivery objectives to those of the customer is critical to ensuring successful outcomes – the Group strives for Right First Time delivery.

Ensuring integrity is embedded throughout the Group and its supply chain partners is key to doing the right thing.

The Group’s appetite for not meeting customer expectations remains low.



REMAINS LOW

2 3 4 5 6  
p97 p97 p98 p98 p99  
7 8 9 10 11  
p100 p100 p101 p101 p102

### Safe

We make safety personal

Conducting business in a safe way and providing a Zero Harm environment for Balfour Beatty’s people and stakeholders is paramount.

The Group’s appetite for health and safety risk remains at zero.



REMAINS ZERO

1 7  
p96 p100

### Sustainable

We act responsibly to protect and enhance our planet and society

Balfour Beatty is committed to leaving a positive legacy for the society and communities it serves.

The Group seeks to minimise its impact on the environment, working with supply chain partners, customers and communities to ensure its choices are sustainable, whilst delivering customer objectives, and pursuing new initiatives and technologies to achieve this.

The Group’s appetite for risk around sustainability is moderate.



REMAINS MODERATE

2 3 7  
p97 p97 p100

## Emerging Risks

The Group requests specific Emerging Risk identification by each Strategic Business Unit (SBU) and Enabling Function (EF) as part of the Group's biannual half year and full year risk submissions. The functionality in IRIS to flag Emerging Risks on respective strategic risk registers enables greater visibility, allowing SBUs and EFs to monitor Emerging Risks alongside their existing review of current risks.

Balfour Beatty considers Emerging Risks in relation to their longer-term impact and shorter-term risk velocity and examines them in the context of its viability statement. The Group has defined Emerging Risks as those risks faced by the business that:

- are likely to be of significant scale beyond a three-year timeframe;
- have the velocity to significantly increase in severity within the three-year period; and/or
- are not sufficiently defined or if there is not enough information developed to enable an informed assessment to be made of their impact and whether they pose a threat or an opportunity to the Group.

The discussion and review of Emerging Risks includes 'horizon scanning' activities around potential uncertainties that are not sufficiently defined or developed to enable an informed assessment to be made of their impact on the ongoing viability of the Group and whether they pose a threat or an opportunity. The exercise conducted in 2023 sought to:

- stress test the current Risk Profile ahead of the full year review;
- support the Board in its obligations in identifying and understanding Emerging Risk through horizon scanning; and
- increase strategic resilience of the business strategy.

## Our risk matrix

The Balfour Beatty Group PI Matrix prompts a consistent assessment of all risks identified in the business in terms of their impact across delivery, health, safety and sustainability and financial impacts. The impact is assessed alongside probability, providing an overall rating that allows for the prioritisation and comparison of risk and opportunity events. This overall rating is assessed as the current rating, which is based on controls that are in place and effective for managing the risk. Response to risks is determined based on

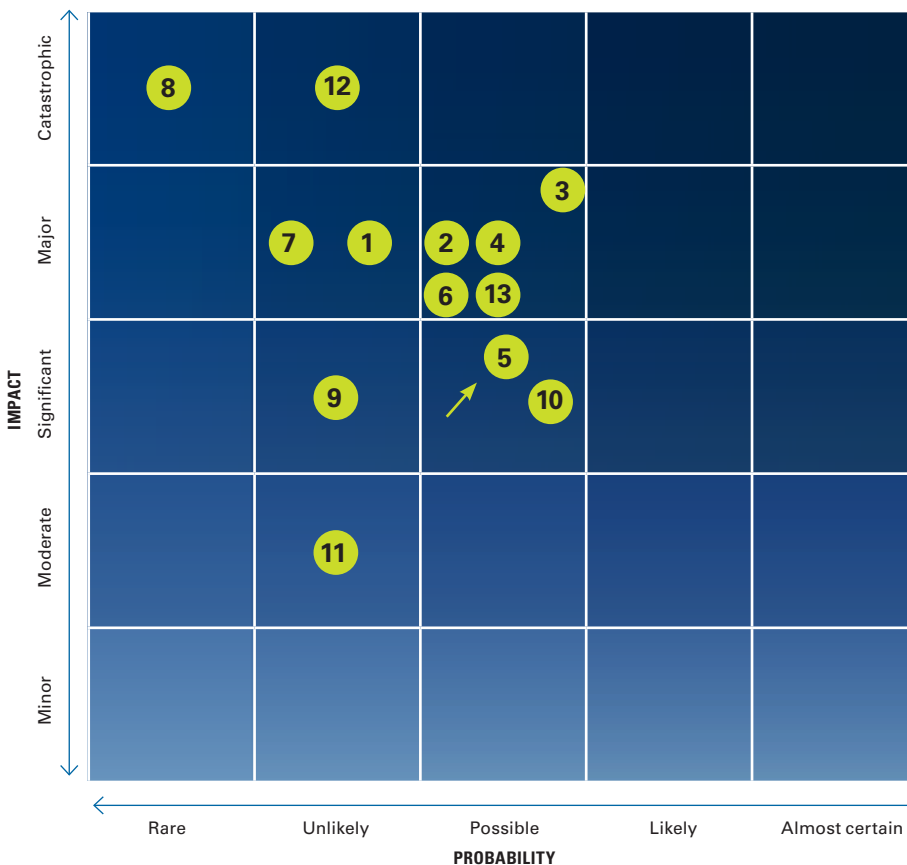
the current risk rating and considered in the context of risk appetite.

The matrix is calibrated to cater for financial impacts across the three tiers of the risk management framework: Operational risk, Business risk and Group risk, which allows the same matrix to be utilised for common assessment whilst providing a flexible, tailored approach for risks to be measured in the context of project or business financial objectives, and catering for adjustment when rolled-up to Group level.

The Group remains prudent in ensuring any exposure presented through economic uncertainty and ongoing political and societal factors are well understood and well managed. Reviews of the Group risk profile have continued to monitor where these drivers manifested within existing Group risks.

The Group is vigilant in ensuring risks are accurately assessed and that controls implemented and monitored are commensurate with the risk exposure. The decision to revise risk assessments and associated risk ratings are subject to robust review and, often the downgrading of a risk is only made following a continued period of certainty whereby movements of internal and external factors are less volatile and controls are known to be well-established and effective.

## Group Probability and Impact (PI) Matrix



1	Health and safety	p96
2	Contracting terms and conditions	p97
3	Project delivery	p97
4	Joint ventures	p98
5	Cybersecurity	p98
6	People and talent	p99
7	Sustaining focus on Build to Last strategy	p100
8	Financial strength	p100
9	Supply chain	p101
10	Code of Ethics compliance	p101
11	Legal and regulatory	p102
12	Legacy pension liabilities	p102
13	Economic uncertainty	p103





### Principal risks

Balfour Beatty's decision making remains centred on a comprehensive and detailed understanding of the exposures faced by the organisation, carried out through business-level and Group-level reviews. Identifying risks that could impact on the achievement of business and strategic

objectives, and consistently assessing and responding to these, is essential to balancing risk taken in line with risk appetite. The Group risks that link to strategic plans, as well as any Emerging Risks identified for the business are reviewed and where required, assessed to enable the Board to undertake an assessment of the overall profile of the exposure faced by the Group. The Board considers whether this represents new,

increased or decreased threats and the level of response required to manage them. The risk profile comprises both interconnected and discrete risks at strategic, business and operational level and focuses on understanding the worst-case scenarios that could threaten the Group's strategy and business model, and ongoing viability see pages 8 and 104. The Group's Principal risks are described on pages 96 to 103.

DESCRIPTION AND IMPACT	CAUSES	MITIGATION	
<b>1 HEALTH AND SAFETY</b>			
<p><b>The Group works on and delivers significant, complex and potentially hazardous projects which require continuous monitoring and management of health and safety risks.</b></p> <p><b>What impact it might have</b> Failure to manage these risks presents the potential for significant harm, including fatal or life-changing injuries to employees, subcontractor staff, third parties or members of the public. It also presents the threat of potential criminal prosecutions, significant fines, debarring from contract bidding and reputational damage.</p> <p> For more information please see 'Health, safety and wellbeing' on pages 44 to 51.</p>	<p>Common themes which drive health and safety risks include:</p> <ul style="list-style-type: none"> <li>› inadequate risk identification/assessment;</li> <li>› lack of competence or training;</li> <li>› processes that fail to deliver risk elimination or mitigation;</li> <li>› lack of clear safety leadership, impacting broader safety culture;</li> <li>› ineffective management and/or oversight of subcontractors, JV partners and other third parties;</li> <li>› failure to cascade and follow Health and Safety procedures; and/or</li> <li>› lack of focus on the wellbeing and mental health of staff faced by daily work and life pressures.</li> </ul>	<p>Balfour Beatty's Zero Harm strategy and its supporting policies and procedures continue to act as key controls in managing the risks presented in the industry and across the Group's operations.</p> <p>Internal and external audit provides verification of systems and compliance across the business. The strategy and associated action plans are regularly reviewed and monitored by management and external accreditation bodies.</p> <p>Zero Harm by Design training and process in place across the business.</p> <p>Experienced and competent health and safety professionals provide advice and support, monitor culture and undertake regular reviews.</p> <p>The Safety and Sustainability Committee of the Board and business Health and Safety executive leadership teams meet regularly throughout the year to capture lessons learnt and develop a consistent approach to health and safety best practice. KPIs are reported and closely monitored.</p> <p>Training programmes (including behavioural training) are in operation across the business, including an increased focus on mental health and wellbeing, with tracking through leading KPIs.</p> <p>Operational ownership of fatal risks through well-established working groups with Managing Director leadership.</p>	<p><b>Owner</b> Safety and Sustainability Committee</p> <p><b>Risk movement</b></p> <div style="text-align: center;">  </div> <p><b>No movement</b> Health and Safety risk continues to be managed by well-established and embedded controls and processes throughout the Group and within operational DNA (including partners) to represent a stable control environment.</p> <p>Multiple contemporaneous failures within this environment would be required for the risk to be realised.</p>



DESCRIPTION AND IMPACT	CAUSES	MITIGATION	
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2 CONTRACTING TERMS AND CONDITIONS			
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<p><b>The Group repeatedly delivers high profile, complex and significant projects that regularly carry specialised deliverables combined with multifaceted, and occasionally, stringent commercial terms. Establishing the right contractual approach and delivering customer obligations within agreed terms alongside technical complexity, can pose a risk if not managed correctly. Maintaining a balance to protect the interests of all parties, including the supply chain, whilst maintaining a profitable and sustainable order book, and delivering stakeholder value requires competency, skill and, increasingly, greater collaboration with clients.</b></p> <p><b>What impact it might have</b> Failure to fully understand or manage complex delivery in line with commercial terms across the portfolio could potentially result in disputes, leading to cost and time to resolve, as well as potential losses or reduction in profitability and damage to relationships with key customers and supply chain or JV partners.</p> <p>Failure to effectively engage and collaborate with customers and supply chain partners to agree contract terms could additionally result in choosing not to pursue certain works or may even limit access to certain targeted markets in the future, impacting on future order book and growth targets.</p>	<p>Key causes that could drive this risk include:</p> <ul style="list-style-type: none"> <li>› lack of clearly defined bid strategy and engagement plan;</li> <li>› misalignment between Balfour Beatty and client approach;</li> <li>› working with new or unknown customers and partners, with no previously established relationship;</li> <li>› entering into new markets or use of new, unfamiliar technology;</li> <li>› lack of supply chain capacity to accept and manage back-to-back terms, resulting in increased risk carried by Balfour Beatty;</li> <li>› failure to engage in an early collaborative approach with the customer to fully understand requirements;</li> <li>› clients taking a more risk averse attitude, driven by their own financial or market pressures, resulting in a less-balanced approach to allocation or sharing of risk; and/or</li> <li>› lack of early identification of a contracting strategy between all parties.</li> </ul>	<p>The Group Tender and Investment Committee (GTIC) reviews and challenges all proposals in line with minimum commercial expectations and the Circles of Risk guidance.</p> <p>Clear, defined delegated levels of authority are in place for approving all tender and infrastructure investment decisions.</p> <p>Customer adoption of the UK Government Construction Playbook steers an approach towards increased collaboration, which results in reduced risk, and an increased focus on quality of bid rather than being solely cost driven.</p> <p>A 'getting left early' attitude adopted prior to the procurement process enables influence over contracting and procurement model. A shift to a 'two-stage' tender approach supports an early collaborative, solution-based approach with customers and minimises risk on both sides – especially in new markets or 'first-of-a-kind' initiatives.</p> <p>Ongoing work winning initiatives continue in place across the Group to drive increased commercial and customer awareness and further embed an understanding of expectations on margins and cost.</p> <p>The Gated Business Lifecycle review process highlights key commercial risks closely aligned to Circles of Risk to ensure adequate challenge and qualification of terms, and early mitigation of key exposures.</p> <p>Monthly business reviews identify early indicators with potential for disputes arising on contracts, including across the subcontractor base.</p>	<p><b>Owner</b> Group Tender and Investment Committee</p> <p><b>Risk movement</b></p> <p></p> <p><b>No movement</b> Current risk assessment remains, reflecting the importance that the business continues to attribute to managing this risk as it enters into new markets, works with new clients and monitors customers' response to their own market pressures. Controls to champion a more collaborative approach with customers remain key in seeking fair terms commensurate with risk profiles, particularly with new, complex and in some cases, unfamiliar work scopes. GTIC and Circles of Risk are key in ensuring we do not proceed with unacceptable terms, such as accepting process risk.</p> <p>Controls to challenge and scrutinise decision making prevent the Group from bidding for unsustainable work, limit potential exposure and lead to a more risk-balanced portfolio.</p> <p>Regular reporting of risk profiles alongside mitigation strategies to management throughout execution remain key.</p> <p>Close monitoring of this risk will continue into 2024 as the Group works closely with new and existing customers.</p>
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3 PROJECT DELIVERY			
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<p><b>Failure to deliver projects consistent with customer expectations and required specifications and/or quality, in line with schedule and budget, and to minimise the risk of increased costs, delay related damages and defect liabilities.</b></p> <p><b>What impact it might have</b> Failure to manage and/or deliver against customer expectations, scope specifications and key deliverables to time and budget could result in exposures such as design issues, contract disputes, liquidated damages, cost overruns and failure to achieve anticipated customer savings which in turn could reduce the Group's profitability and damage its reputation.</p> <p>The Group may also be at risk of longer-term exposures including litigation and costs to rectify defective or unsafe work. Such failure may also result in liability under the Building Safety Act 2022.</p> <p>Significant delivery failure on a high-profile project could result in substantial reputational damage, debarment and significant associated costs of rectification or dispute resolution.</p>	<p>Failure to implement, maintain and challenge operational and commercial controls (as detailed within checklists at GBL reviews) could result in:</p> <ul style="list-style-type: none"> <li>› lack of comprehensive understanding of contract obligations;</li> <li>› inadequate resource (people, plant and materials inc. supply chain) or competency verification of resource;</li> <li>› unrealistic project schedules;</li> <li>› unrealistic progress assessments and cost to complete judgements which could arise due to poor training, lack of supervision, or lack of accountability;</li> <li>› overly optimistic claim recovery assumptions;</li> <li>› incomplete visibility and appreciation of scale of commercial judgements;</li> <li>› failings in administering the contract terms to safeguard or protect future claims, change orders and extensions of time (EOTs);</li> <li>› poor management, selection and governance of subcontractors; and/or</li> <li>› lack of robust quality assurance processes and systems.</li> </ul> <p>Customer intervention and additional pressure to complete could also be a driver to this risk.</p>	<p>The GBL process continues to maintain focus on identifying and reporting risks, including planning, programme accuracy, cost and cash forecasting and resource reviews.</p> <p>Early engagement of integrated work winning and project delivery teams across the GBL process ensures customer expectations are understood and realistic.</p> <p>Deployment and ongoing monitoring of strong commercial management and contract administration processes through the project lifecycle.</p> <p>Optimal scheduling of key staff and associated competencies within project delivery teams and senior management, with ongoing and focused training.</p> <p>The site mobilisation hub facilitates early and effective start-up on site.</p> <p>Drive for Right First Time delivery including digital progressive assurance of project delivery championed by UK Quality Leadership Team with ExCom sponsorship.</p> <p>Pre-qualification and competency/capacity verification of supply chain partners, and close monitoring of subcontractor and supplier performance throughout the project lifecycle.</p> <p>Professional indemnity cover in place to provide further financial safeguards.</p>	<p><b>Owner</b> Group management</p> <p><b>Risk movement</b></p> <p></p> <p><b>No movement</b> This risk continues to be managed through the consistent application of operational reporting systems and diligent use of short interval control processes across all stages of project delivery, providing greater certainty of operational outcomes.</p> <p>In 2023, the UK Quality Leadership Team with ExCom sponsorship, continued to champion a consistent approach, improving quality awareness and driving the organisation's Right First Time 'mantra' to project delivery.</p> <p>Verification of the effectiveness of controls remains key to managing this risk together with an enhanced focus on quality performance.</p>
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# Principal risks continued

DESCRIPTION AND IMPACT	CAUSES	MITIGATION	
<b>4 JOINT VENTURES</b>			
<p><b>Failure to implement robust controls around the selection of joint venture (JV) partners, or to define a clear governance structure to monitor delivery or establish a 'one team' culture may result in failure to deliver expected returns and/or minimise the risk of unexpected liabilities.</b></p> <p><b>What impact it might have</b> Inability to select the right JV partner, aligned to Balfour Beatty's culture and values, may result in a mismatch of partner objectives, driving a knock-on impact on the effective delivery of contract requirements and a misalignment in approach, resulting in a significant impact to profitability and reputational damage.</p> <p>Any potential failure of a JV partner could expose the Group to increased resourcing costs and ongoing liability, and warranty risks.</p> <p>Disputes with JV partners could impact the Group's ability to operate successfully and/or expand within its chosen markets.</p> <p>Failure to align and integrate with the Group's health and safety management expectations could result in increased potential for injury and/or fatality.</p>	<p>The risk could be driven through:</p> <ul style="list-style-type: none"> <li>› ineffective assessment of potential JV partners including liquidity, capacity and capability;</li> <li>› failure to ensure 'fit for purpose' terms with the right JV partner;</li> <li>› lack of clarity on the delegated levels of authority between partners;</li> <li>› delayed and fettered decision making between partners;</li> <li>› segregation from central management systems (financial and operational);</li> <li>› lack of understanding of contract requirements and expectations;</li> <li>› lack of oversight over JV reporting and application of processes implemented across the project; and/or</li> <li>› misalignment of Balfour Beatty and JV partner cultures, values and practices.</li> </ul>	<p>The Group has broad capability to self-deliver projects but recognises that establishing the right partnership can be an opportunity to deliver work.</p> <p>The GTIC process applies equally to all joint ventures, ensuring approval and oversight.</p> <p>Appointment of an appropriately constituted JV board acts as the main governance vehicle for the Group.</p> <p>The GBL process provides governance over JV partner selection, and highlights partner-related risks closely aligned to Circles of Risk including those related to capacity, capability, previous experience with the Group and liquidity.</p> <p>Experienced project directors are appointed to manage JVs and provide an ongoing assessment of operational delivery risk.</p> <p>Good practice, including the use of joint reporting systems (where appropriate), is shared between all partners to embed the Group's expectations and culture throughout JV delivery teams.</p> <p>Balfour Beatty monitors the performance of its JV partners throughout the lifecycle of a project.</p>	<p><b>Owner</b> Group Tender and Investment Committee</p> <p><b>Risk movement</b></p>  <p><b>No movement</b></p> <p>The current risk rating is maintained. The business continues to monitor delivery across existing JV partnerships and remains focused on strong governance controls that underpin decision making and early partner selection as it looks to enter new market sectors and work with new partners and alliances.</p> <p>Monitoring of health and safety progress of existing key and high-profile JVs continues.</p>
<b>5 CYBERSECURITY</b>			
<p><b>Failure to protect key Group and employee data or other confidential information due to a breach of system security and/or disruption to delivery caused by system loss.</b></p> <p><b>What impact it might have</b> Realisation of this risk could result in:</p> <ul style="list-style-type: none"> <li>› reputational harm (loss of market and customer confidence);</li> <li>› loss of data, resulting in potential fines and prosecution;</li> <li>› loss of intellectual property and competitive advantage; and</li> <li>› operational impact restricting ability to carry out business critical activities (disruption to business as usual).</li> </ul>	<p>There are several internal and external factors that could contribute to the realisation of this risk including:</p> <ul style="list-style-type: none"> <li>› poor internal governance;</li> <li>› failure to embed preventative culture;</li> <li>› lack of, or inadequate staff training and awareness;</li> <li>› increased exposure to phishing attacks and ransomware due to new and emerging techniques to bypass preventative controls, remote working and the emergence of AI amplifying the sophistication of attacks;</li> <li>› lack of retention policy applied to data;</li> <li>› operational failure;</li> <li>› inconsistent approach to data security with joint venture/ external partners;</li> <li>› increased use of cloud services without equivalent investment in modern threat prevention; and/or</li> <li>› cyber-attack.</li> </ul>	<p>The risk is managed via the following controls:</p> <ul style="list-style-type: none"> <li>› network and endpoint protection, encryption, patching and data back-up;</li> <li>› awareness training and internal testing, with mandated annual refresher in place for all users;</li> <li>› data governance framework regularly reviewed, and supported by policies and certifications;</li> <li>› incident management feedback mechanism (embeds lessons learnt);</li> <li>› partner and supplier controls in place including vendor risk management assessments and established relationships with external security authorities;</li> <li>› infoSec actively monitoring for security incidents and remediating where necessary;</li> <li>› access to all core systems subject to multi-factor authentication;</li> <li>› systems are subject to 24/7 monitoring with review of core controls to provide additional protection in areas that are potential new attack paths;</li> <li>› strong focus on supply chain partners to ensure they are resilient to fraud and cyber-attacks;</li> <li>› knowledge sharing initiatives with supply chain partners and wider industry;</li> <li>› enhancement of internet controls (web proxy); and</li> <li>› cybersecurity maturity assessment providing assurance and oversight of the operation and effectiveness of cyber controls.</li> </ul>	<p><b>Owner</b> Group management</p> <p><b>Risk movement</b></p>  <p><b>Some increase noted</b></p> <p>Despite no material change in rating, risk noted as increasing in likelihood during 2023, reflecting the role of AI and an increase in the sophistication of potential attacks. Continuous improvement in the control environment is essential to maintain pace with the potential risk, and reduce the likelihood of a major incident. Ongoing monitoring and review of controls remains key in managing this risk.</p>



DESCRIPTION AND IMPACT	CAUSES	MITIGATION	
<p><b>6 PEOPLE AND TALENT</b></p> <p><b>Inability to attract and retain the required level of skilled and competent people, including Early Careers to deliver current and future pipeline to meet the Group's objectives.</b></p> <p><b>What impact it might have</b> Failure to recruit and retain appropriately skilled people or grow in-house talent could harm the Group's ability to win or successfully perform specific contracts, manage delivery cost increases, grow business and/or meet strategic objectives, including securing future order book.</p> <p>A high level of staff turnover or low employee engagement could result in loss of competency and morale, reducing business confidence within the market, loss of stakeholder confidence and an inability to drive business growth or improvements.</p> <p> For more information please see 'Our people' on pages 70 to 77.</p>	<p>Failure to effectively mitigate the Group's people risks may arise through:</p> <ul style="list-style-type: none"> <li>› overheating of market causing significant increase in demand or competition for people, specifically in certain sectors and regions;</li> <li>› overbidding or ineffective workload and location scheduling;</li> <li>› lack of visibility of longer-term pipeline or perceived lack of career progression resulting in talent leaving the Group or sector;</li> <li>› inability to recruit and retain strong performers;</li> <li>› failure to maintain a culture of pride and advocacy across the workforce;</li> <li>› ineffective and/or inadequate investment in the development of existing skills and capabilities;</li> <li>› lack of a diverse workforce;</li> <li>› labour supply issues including onerous immigration controls as well as a draw for skillsets to geographical areas in which the Group does not operate;</li> <li>› cost of living pressures and other economic factors driving increase in attrition and people movement; and/or</li> <li>› pressure from wage inflation and increase in competitive offers from other infrastructure opportunities – both inside and outside the Group's areas of operation.</li> </ul>	<p>Providing a positive working environment to support the development of employees has been central to Build to Last.</p> <p>Specific controls to mitigate this risk include:</p> <ul style="list-style-type: none"> <li>› HR strategy and plan, with associated measurement of KPIs to inform decision making against budgets;</li> <li>› increased focus on longer term resourcing needs with a Group overview to overcome the risk of siloed thinking and action;</li> <li>› strategic workforce planning protocol to prevent resource conflicts;</li> <li>› work winning and project delivery alignment to internal and external recruitment activities, with early review of people and resourcing needs to ensure adequate capability and capacity to deliver work prior to bidding;</li> <li>› competency frameworks within core job families identify and support the development of key knowledge, skills and expertise;</li> <li>› internal mobility supports career development and redeployment opportunities via Careers portal;</li> <li>› regular measurement and review of recruitment and retention rates across the business, with succession plans identified for core roles and disciplines;</li> <li>› annual OPR (people and talent reviews), with regular reviews of remuneration and incentive arrangements to ensure they are appropriate to help the Group attract, motivate and retain key employees;</li> <li>› remuneration package benchmarking against peers, with participation in industry forums to track market position;</li> <li>› employee engagement surveys, with appropriate actions to address findings;</li> <li>› Balfour Beatty Academy established in the UK supports professional and personal development;</li> <li>› training needs analysis and competency tools (including COMAEA) identify capability requirements and highlight development gaps to inform investment decision making;</li> <li>› strong employee communication channels to celebrate individual, business and Group-level successes and to increase future pipeline visibility;</li> <li>› Affinity Networks established to create a diverse and inclusive working environment; and</li> <li>› increased investment in emerging talent through strong graduate, apprenticeship, and industrial placement/internship schemes.</li> </ul>	<p><b>Owner</b> The Board</p> <p><b>Risk movement</b></p> <div style="text-align: center;">  </div> <p><b>No movement</b> Risk rating has been maintained throughout 2023. Despite seeing some ease in attrition and wage inflation pressure, retention of key skills alongside future access to the required talent pool remains a key focus, particularly for medium to longer-term pursuits. The risk continues to be managed by well-established controls around workforce planning, sight of pipeline and talent development.</p>




# Principal risks continued

DESCRIPTION AND IMPACT	CAUSES	MITIGATION	
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<b>7 SUSTAINING FOCUS ON BUILD TO LAST STRATEGY</b>			
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<p><b>Failure by the Group to sustain and build upon the strong foundation and culture created through its Build to Last strategy, and supporting Cultural Framework.</b></p> <p><b>What impact it might have</b> Inconsistency in working practices and siloed cultures across the business could drive increased costs and operational errors which impact the Group's ability to deliver on its purpose of Building News Futures, could impact its ability to deliver sustainable profitable growth and could result in reputational damage.</p> <p>Delivering against the Group's core Values of Lean, Expert, Trusted, Safe and Sustainable is integral to its success and purpose.</p> <p> For more information please see 'Our strategy: Build to Last' on pages 26 to 27.</p>	<p>Failure to deliver and/or demonstrate sustained focus and momentum could arise from:</p> <ul style="list-style-type: none"> <li>› complacency and/or localised adaptations within core disciplines or siloed cultures;</li> <li>› ineffective communication and/or reinforcement of messaging through a lack of leadership;</li> <li>› inadequate resourcing (financial, physical assets and people) with the right level of skill and competency;</li> <li>› lack of joined up approach across our geographies, markets and business units</li> <li>› new systems and processes being used without appropriate controls being in place and/or tested; and/or</li> <li>› new people joining the organisation (including in leadership roles).</li> </ul>	<p>Ensuring Build to Last continues to drive business success is a strategic priority for the Group and is led by the Group Chief Executive.</p> <p>Controls include:</p> <ul style="list-style-type: none"> <li>› continuous measurement and reporting of KPIs aligned to Lean (cash flow and profit from operations), Expert (employee engagement), Trusted (customer satisfaction), Safe (Zero Harm) and Sustainable (carbon emissions) within each business;</li> <li>› Cultural Framework is embedded in systems and processes, aligning the UK and US under one unified approach and reinforcing expected values and behaviours;</li> <li>› clear and frequent senior leadership engagement across the businesses and functions;</li> <li>› upskilling, training, and business and development initiatives at key levels throughout the business to reinforce Build to Last and the Cultural Framework for all employees and in key job families i.e. commercial, project management, engineering etc;</li> <li>› induction, recognition and PDR approach aligned to Build to Last strategy and Cultural Framework;</li> <li>› Zero Harm provides a consistent approach for the Group on the health and safety agenda and delivery against the Safe value;</li> <li>› Building New Futures sustainability strategy provides a consistent approach for the Group on the Sustainability agenda and delivery against the Sustainable value; and</li> <li>› regular programme of communications to reinforce strategic priorities across the Group. In 2023 this included multiple Business Unit and Enabling Function conferences reaching over 4,000 colleagues.</li> </ul>	<p><b>Owner</b> The Board</p> <p><b>Risk movement</b></p> <p></p> <p><b>No movement</b> The Build to Last strategy and the supporting Cultural Framework are critical to the continuing success of the business</p> <p>Ensuring the Build to Last strategy and Cultural Framework underpin Balfour Beatty's operations will continue to be essential to the success of the business.</p>
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<b>8 FINANCIAL STRENGTH</b>			
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<p><b>The Group's inability to maintain the financial strength required to operate its business and deliver its objectives.</b></p> <p><b>What impact it might have</b> Failure to protect and effectively maintain the required financial strength will mean the Group:</p> <ul style="list-style-type: none"> <li>› fails to meet financial covenant tests, as set out in its financing facility agreements, leading to a default event if not remedied within a specific grace period;</li> <li>› fails to pass required tests that allow continued use of the going concern basis of accounting in preparing financial statements;</li> <li>› suffers a negative impact on profitability and loses the confidence of its chosen markets and/or shareholders; and/or</li> <li>› loses the ability to compete for key long-term contracts that are critical to its viability and delivery of long-term objectives.</li> </ul>	<p>Failure to manage financial risks, including forecasting material exposures, and the financial resources of the Group that underpin its ability to:</p> <ul style="list-style-type: none"> <li>› meet ongoing liquidity obligations so that it remains a going concern; and/or</li> <li>› meet financial covenants as set out in financing facility agreements.</li> </ul>	<p>The Group continues to operate with a low level of financial risk as evidenced by its robust average net cash position.</p> <p>The Group operates with a centralised Treasury function, responsible for managing key financial risks, cash resources and the availability of liquidity and credit capacity.</p> <p>The Group maintains significant undrawn term committed bank facilities with a banking group of high credit quality to underpin the liquidity requirements of the Group. The refinancing of the Group's core revolving credit facility (RCF) in 2023 increased the quantum and extended the maturity of its available facilities.</p> <p>The Group maintains significant bank and surety bonding facilities to deliver trade finance requirements of the Group on an ongoing basis.</p> <p>The Group operates standardised reporting, forecasting and budgeting financial processes. This allows monitoring of the impact of business decisions on financial performance over future time horizons.</p>	<p><b>Owner</b> The Board</p> <p><b>Risk movement</b></p> <p></p> <p><b>No movement</b> Well-established controls within Finance and Treasury functions continue to demonstrate a clear ability to manage existing and anticipated risk, with the refinancing programme implemented in the last 18 months delivering an increased RCF and lengthened debt maturity profile, while the Group has maintained a robust average net cash position.</p>
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## DESCRIPTION AND IMPACT

## CAUSES

## MITIGATION

**9 SUPPLY CHAIN**

**Supply chain partners fail to meet the Group's operational expectations and requirements in relation to capacity, competency, quality, financial stability, safety, environmental, social and ethical values.**

**What impact it might have**

Failure to manage and monitor subcontractors or suppliers could result in the Group becoming involved in disputes, being forced to find alternative providers or undertaking/redoing the work itself. This could result in delays, business disruption, additional costs or a reduction in quality/increased defects owing to lack of expertise or competency.

Mistreatment of suppliers, subcontractors and their staff, or poor ethical standards in the supply chain, could lead to legal proceedings, investigations or disputes resulting in business disruption, losses, fines and penalties, reputational damage and, in the worst case, debarment.

- Lack of capacity, competency, stability or poor behaviours within the Group's supply chain may arise through:
- failure to embed the Group's expectations within the procurement process;
  - inadequate assessment of supply chain partner capabilities, capacity and process (including liquidity, quality, safety, ethics, material management and governance over compliance with labour laws);
  - lack of supplier resilience arising from rising market pressures (e.g. global energy prices, inflation, shipping delays, natural disaster, ongoing political instability, etc).
  - failure to accurately assess project resource requirements and key deliverables;
  - increased tariffs and border delays following UK's exit from the EU;
  - lack of adequate oversight, supervision or management during delivery; and/or
  - unethical treatment of the downstream supply chain.

The Group continues to develop long-term relationships with key supply chain partners, working closely to understand their operations and dependencies. This includes relationship mapping with strategic suppliers and lessons learnt from previous projects together with briefing on order book requirements.

The risk management framework and the GBL process allows for early (pre-award) and ongoing (delivery) assessment of the appropriateness of resource allocation and dependencies and development of procurement strategies.

Pre-qualification accreditation in place for core suppliers (validated in Gates 1–3), with oversight of supplier metrics and overall 'health'.

Contingency plans address potential subcontractor failure, including replacement supplier list.

A central database tracks subcontractor scoring in relation to capacity, compliance, performance and financial health, with market trends and insights closely monitored and distributed to relevant businesses.

The Group obtains project retentions, bonds and/or letters of credit from subcontractors, where appropriate, to mitigate the impact of any insolvency.

Group-wide Code of Ethics cascaded to supply chain, with targeted training programmes and related policies and procedures in place.

Detailed assessment process across supply chain following any major natural disaster/political incident to identify any disruption or discontinuation of supply.

**Owner**  
Group management

**Risk movement**

**No movement**

Volatility in the market seen in the past 18 – 24 months, driven by inflation and rising energy prices, has been a core driver to this risk; however robust controls implemented during and post the COVID-19 pandemic continue to manage this risk well, with strong relationships maintained with key supply chain partners. Closer monitoring of supplier health, key risk indicators and tracking of core commodities, has meant this risk remains stable. Focus remains on monitoring any potential impacts from ongoing political instability.

**10 CODE OF ETHICS COMPLIANCE**

**Failure to comply with the Code of Ethics across the Group including employees, joint venture partners, and within the supply chain.**

**What impact it might have**

Failure to comply with the Code of Ethics and Balfour Beatty values could leave the Group exposed to:

- instances of bribery and corruption;
- fraud, deception, false claims or false accounting;
- unfair competition practices;
- human rights abuses, such as child and other labour standards generally, illegal workers, human trafficking and modern slavery;
- unethical treatment of and by the supply chain;
- potential impact to staff morale and wellbeing; and/or
- potential health and safety impact.

Any of these failures could result in legal investigations or disputes, resulting in business disruption, losses, fines and penalties, reputational damage and debarment.

For more information please see 'Ethics and compliance' on page 52.

Failure to comply with the Code of Ethics and Balfour Beatty values could arise from:

- failure to adopt a compliance risk approach;
- failure to establish appropriate corporate culture;
- failure to embed the Company's values and behaviours throughout the organisation and across joint ventures;
- lack of effective training programme;
- failure to have a robust testing and compliance monitoring programme in place;
- ethics and values being compromised as a result of commercial pressures;
- failure to ensure awareness of whistleblowing processes across the organisation; and/or
- deliberate or reckless non compliance.

Code of Ethics and associated training programme deployed Group-wide (last refreshed and re-launched in 2022). Related policies, procedures and training are refreshed as appropriate – with Right to Respect training being deployed across the business.

Ethics and Compliance updates provided to the Audit and Risk Committee biannually. Each business unit, supported by the Ethics and Compliance function, is responsible for embedding the Code of Ethics and the Company's values and behaviours within its operations.

The Group has a range of operational controls (commercial, including procurement, due diligence and risk assessment) that are designed to identify and manage risks internally and with third parties.

Independent third-party whistleblowing helpline and dedicated email contact are in place and actively promoted. All in-scope complaints are independently investigated by the Internal Audit and Compliance teams and appropriate action is taken, where necessary.

Balfour Beatty works with a limited number of agents, all of whom are, in addition to the Group's due diligence and approval process, subject to specific contractual clauses, policies and agreements.

Use of a central database to track supplier and subcontractor performance history providing insight into their internal operating processes, governance and values.

**Owner**  
The Board

**Risk movement**



**No movement**


The refreshed Code of Ethics programme was launched in 2022 and has continued to be embedded throughout 2023, with Right to Respect training being deployed across the business, and specific behaviours awareness to targeted audiences.

Controls deployed through both internal and external systems allow oversight of compliance with the Code of Ethics and enable the business to monitor and manage any potential breaches.



## Principal risks continued

DESCRIPTION AND IMPACT	CAUSES	MITIGATION	
<b>11 LEGAL AND REGULATORY</b>			
<p><b>The Group does not respond to any change in relevant legal, tax and regulatory requirements in a timely manner or does not fully understand the implications of certain regulatory changes resulting in a potential breach.</b></p> <p><b>What impact it might have</b> The Group could face legal proceedings, investigations or disputes resulting in business disruption, losses, fines and penalties, reputational damage and debarment.</p> <p>Such action could also impact the valuation of assets within the affected territory as well as have an impact on shareholder confidence.</p>	<p>Failure to recognise or adapt to potential impacts arising from changes in applicable laws affecting the Group's businesses may result from:</p> <ul style="list-style-type: none"> <li>› lack of awareness of any changes in laws or regulations made across the geographies and jurisdictions within which the Group operates;</li> <li>› ineffective communication of the requirements across relevant business units; and/or</li> <li>› entering into new markets and/or sectors with limited expertise and due diligence.</li> </ul>	<p>The Group actively monitors and responds to tax, legal and regulatory developments and requirements in the territories in which it operates.</p> <p>Changes in the law and the requirements arising from them are clearly cascaded to all affected businesses.</p> <p>Local legal and regulatory frameworks are considered as part of any decision to conduct business in a new territory.</p> <p>Appropriate and responsive policies, procedures, training and risk management processes are in place throughout the business.</p> <p>Engagement of third-party expertise where required on specific or localised legislation and policy.</p>	<p><b>Owner</b> The Board</p> <p><b>Risk movement</b></p>  <p><b>No movement</b> Unforeseen exposure to legal and regulatory change is considered extremely unlikely. The controls embedded across the Group are considered to remain effective in managing this risk.</p>
<b>12 LEGACY PENSION LIABILITIES</b>			
<p><b>The Group is exposed to and must therefore effectively manage significant defined benefit pension risks.</b></p> <p><b>What impact it might have</b> Failure to manage these risks adequately could lead to the Group being exposed to significant additional liabilities due to increased pension deficits.</p> <p>This has the potential to affect the longer-term viability of the Group as well as incur reputational harm.</p>	<p>The Group is unable to ensure that the trustees of the pension funds react effectively to or manage:</p> <ul style="list-style-type: none"> <li>› changes in interest rates or outlook for inflation;</li> <li>› an increase in life expectancies;</li> <li>› regulatory intervention or legislative change;</li> <li>› prudent funding assumptions; and/or</li> <li>› investment performance of the funds' assets.</li> </ul>	<p>The Group continues to constructively and regularly engage with the trustees of the pension funds to ensure that they are taking appropriate advice and the funds' assets and liabilities are being managed appropriately. This includes quarterly performance reporting and investment committee meetings in which the Company is represented.</p> <p>The funding and investment arrangements of the pension funds are subject to an in-depth triennial valuation and funding review with regular monitoring in years between.</p> <p>The Group's two main UK funds have hedged in excess of 80% of their exposure to interest rate and inflation movements and the largest of the UK funds has hedged around 40% of its exposure to an increase in life expectancies.</p> <p>Following completion of the 31 March 2022 triennial funding review of the main UK fund in May 2023, a substantial amount of de-risking was agreed with the trustees and the majority of this was implemented by 31 December 2023.</p>	<p><b>Owner</b> The Board</p> <p><b>Risk movement</b></p>  <p><b>No movement</b> No change in risk. The trade-off between risk and cost is kept under regular review and has been scrutinised fully as part of the 2022 actuarial valuations of the Group's two main UK funds.</p>

DESCRIPTION AND IMPACT	CAUSES	MITIGATION	
<b>13 ECONOMIC UNCERTAINTY</b>			
<p><b>The effects of national and international market trends including political, societal or regulatory change, may cause customers to re-evaluate existing or future infrastructure expenditure and the procurement of services. It may also lead to changes in the price and availability of labour, products and services.</b></p> <p><b>What impact it might have</b> Any significant delay or reduction in the level of customer or local authority spending or investment plans could adversely impact the Group's strategy and order book, reduce revenue or profitability in the near or medium term, and negatively impact the longer-term viability of the Group.</p> <p>Restrictions on the availability of skilled labour and competitively priced materials could lead to increased costs, reduced margins, and hence potentially a devaluation of the business.</p> <p>Financial failure of a customer, including any government or public sector body, as well as a key supply chain or joint venture partner could result in increased financial exposure to counterparty risk.</p>	<p>Potentially negative impacts could be related to the effects of:</p> <ul style="list-style-type: none"> <li>➤ customers postponing, reducing or changing expenditure plans including any delays associated with funding or planning constraints or to meet 'greener' solutions;</li> <li>➤ impact of inflation arising from a multitude of factors including rising global costs of energy, strained supply chains, rising demand and residual impacts still being felt from the UK's exit from the EU;</li> <li>➤ pressure on public finances caused by inflationary pressures and strained public finances more generally;</li> <li>➤ increased competition (e.g. in the UK from foreign investors acquiring competitors);</li> <li>➤ political change or uncertainty;</li> <li>➤ recessionary pressures; and/or</li> <li>➤ increased supply chain risks (e.g. solvency, people and materials).</li> </ul>	<p>The Group primarily operates across three geographies (UK, US and Hong Kong) and three sectors (Construction Services, Support Services and Infrastructure Investments). This balanced portfolio of projects provides resilience and stability as the Group is less exposed to a downturn in a single geography or sector.</p> <p>The Group continues to actively monitor market trends and potential impacts and is involved in government affairs activity to anticipate future direction of government spend.</p> <p>The financial solvency and strength of counterparties forms part of key considerations before contracts are signed and assessments are updated and reviewed whenever possible during the project lifecycle. The business also seeks to ensure that it is not overly reliant on any one counterparty, whether customer, joint venture partner or supply chain partner.</p> <p>The annual review of market forecasts continues to remain a core part of the Group's Budget and Plan processes, and a focus on medium-term market outlook is considered and presented by each strategic Business Unit.</p>	<p><b>Owner</b> The Board</p> <p><b>Risk movement</b></p> <div style="text-align: center;">  </div> <p><b>No movement</b> Economic uncertainty continues to create headwinds for our business, from a combination of the lingering impact of inflation, constrained public finances and the prospect of elections in both the US and UK. However balanced against these, the Group has a strong order book and continues to see the award of major projects. The Group also remains cognisant of potential uncertainties presented by ongoing conflicts and international political unrest.</p>

## Other risks

### Climate change and sustainability

Failure to manage and mitigate climate change is identified as a risk on the Group register. The business continues to acknowledge that understanding the impact of climate change on the organisation and deploying the right strategies to mitigate any exposure is key.

The Group continues to explore the impact of climate change on the business, and made significant steps in 2023 in understanding how Group level risks are relevant across specific SBUs in the context of their delivery objectives and growth strategies. An overview of this work is outlined further in the TCFD section found on pages 105 to 115.

Delivering sustainability requirements is also identified as a Group risk which recognises the varying pace of change anticipated across geographies and the need for the Group to meet increasing, and potentially onerous, reporting requirements and position itself to meet future customer demands. There is also significant opportunity presented by this as the business continues to develop its expertise and capability. The Building New Futures sustainability strategy charts a course for how Balfour Beatty plans to deliver carbon reduction measures across its operations. More information is outlined in the Sustainability section on pages 54 to 69.



## VIABILITY STATEMENT

In accordance with the requirements of the Code, the Directors have assessed the Group's long-term prospects and its viability over a three-year period to 31 December 2026.

### Assessing the Group's long-term prospects

The Group operates primarily in the UK, US and Hong Kong, specialising in multiple facets of the construction and services industry. The Group also maintains an Investments portfolio which provides a strong underpin to the Group's balance sheet.

The Group has many elements necessary for future business success – expertise in technology and innovation, strong customer relationships and a talented workforce. The Group seeks to build on these strong foundations with continued investment in technological advances, not only to ensure that projects are delivered on time and as efficiently as possible whilst maintaining the utmost focus on safety, but also to remain market leaders in the way construction is conducted and to push the boundaries of innovation in line with achieving industry-leading margins.

In doing so, the Group is also mindful of the effects it has on the environment. The Group strives to adapt to the emerging demand to deliver innovative and sustainable solutions which ensure the impact of any adverse environmental impact is appropriately mitigated against. The Directors have assessed the impact of climate change on the Group's viability and have concluded that whilst no significant impact is expected in the medium term, the Directors will continue to monitor and assess any impact of climate change that may threaten the Group's viability in the longer term.

### Assessing the Group's viability

The Directors have assessed the Group's viability over a three-year period and consider this to be appropriate because this is the period aligned to the current order book and for which there is a good visibility of the pipeline of potential new projects. This period also allows greater certainty over the forecasting assumptions used in labour and material pricing, skills and availability. There is inherently limited visibility of contract bidding opportunities beyond the three-year period, and the accuracy of any forecasting exercise is also impeded by uncertainties around the costs involved in delivering contracts. Consequently, the Group performs its medium-term planning over three years.

The Directors and the Executive Risk Steering Group continue to monitor the principal risks facing the Group, including those that would threaten the execution of its strategy, its business model, future performance, solvency and liquidity.

As part of assessing the Group's future viability, the Directors have considered these principal risks and the mitigations available to the Group. These principal risks and the consequent impact these might have on the Group as well as mitigations that are in place are detailed on pages 96 to 103.

In their assessment of the Group's viability, the Directors have also considered the need to be successful in focusing on the Group's values of Lean, Expert, Trusted, Safe and Sustainable detailed on pages 26 and 27. The Group's progress in relation to Build to Last for continuous improvement remains critical to future success, although success is also dependent on the Group's ability to selectively win new contracts which could be partly impacted by political changes.

The Directors have assessed the Group's viability in conjunction with its current financial position as well as projections of its debt facilities and associated covenants. These financial projections are based on the Group's Three-Year Plan, which has been built on a bottom-up basis with a Group overlay to provide a more top-down view and alignment to the Group's strategic objectives.

The Group raised US\$158m in June 2022 through the issue of new US private placement (USPP) notes which will mature in tranches in 2027, 2029 and 2032. In December 2022, the Group secured a new £30m bilateral committed bank facility which was undrawn at 31 December 2023 and expires in December 2024 with an extension option for a further three years subject to certain specific conditions. The Group's only other debt repayment obligations in the viability assessment period are US\$50m of USPP notes due in March 2025.

In June 2023, the Group completed the refinancing of its core £375m revolving credit facility which was set to expire in October 2024, replacing it with a new £475m facility that will expire in June 2027 (the RCF). The RCF has an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility.

The Group's projections indicate that the headroom provided by the Group's strong liquidity position, including its net cash position and the debt facilities currently in place, is adequate to support the Group over the next three years.

The Group's projections have been stress-tested against key sensitivities which could materialise as a result of crystallisation of one or a combination of the Group's principal risks with the aim of stress-testing the Group's future viability against severe but plausible scenarios. These scenarios include:

- › failure to manage effectively any adverse economic impact;

- › an operating event that damages the Group's reputation and results in significant penalty; and
- › failure to maintain progress made in relation to Build to Last.

The above scenarios result in: a reduction in revenue; a reduction in margin; an increase in operating costs; a slowdown in the Group's investments asset disposal programme; and/or negative changes to working capital.

The Directors also assessed a 'perfect storm' scenario by combining multiple scenarios and modelling the resulting downside to stress-test the Group's viability if these cash flows were to immediately and simultaneously come under severe threat. This scenario is aimed to test the viability of the Group if it was to experience a catastrophic failure and to allow the Directors to assess the mitigations available to avoid this.

In assessing the Group's viability under these severe but plausible scenarios (including in the instance of a 'perfect storm'), the Directors have also considered the Group's projected cash position (which excludes cash that is not immediately available to the Group), bank facilities and their maturity profile and covenants, the borrowing powers allowed under the Company's Articles of Association and the fact that the Group's PPP investments comprise reasonably realisable securities which could be sold to meet funding requirements if necessary.

It is unlikely, but not impossible, that the crystallisation of a single risk would test the future viability of the Group. However, it is possible to construct scenarios where either multiple occurrences of the same risk, or single occurrences of different principal risks, could put pressure on the Group's ability to meet its financial covenants. The Directors have considered the strength of the mitigations available and whether these are sufficient to avoid a catastrophic outcome to the Group's viability and believe that there are sufficient mitigations immediately available to minimise this risk.

Based on the assessment undertaken to stress-test the Group's viability against severe but plausible scenarios, and taking into account the strength of mitigations that are immediately available to the Group, the Directors have concluded that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2026.

Our 2023 Strategic report, from pages 1 to 115, was approved by the Board on 12 March 2024.

**Philip Harrison**  
Chief Financial Officer  
12 March 2024





# Climate change and TCFD

## Evolving the organisation’s understanding of the impacts of climate change.

Balfour Beatty continues to acknowledge the scale of the global transformative action required to achieve net zero and the key role that the construction and infrastructure sector stands to play in both becoming more resilient to threats posed by the climate crisis, and in supporting the transition to a lower-carbon economy.

For Balfour Beatty this means identifying and managing climate-related risks and opportunities, and reflecting how the Group adapts to, and mitigates this risk profile through its business strategy.

The formation of the Group’s TCFD Working Group in 2021 established a structured approach for the Group’s consideration of what climate change could mean to the organisation. The TCFD Working Group has supported the business in evolving how it considers the deepening effects of the climate crisis, and integrates the identification of climate-related risk and opportunity into existing business risk reviews. During 2023 the TCFD Working Group continued to deploy a consistent approach on guiding the business through its journey on considering the impacts of climate change on its operations. Building on previous years’ disclosures, further action has been undertaken during 2023 to:

- › engage with each Strategic Business Unit (SBU) to consider climate-related risk in the context of its specific business strategies, growth objectives and operational planning. This approach has provided a greater understanding of the previously identified 10 climate-related risks and opportunities and their relevance to the business portfolio; and
- › upskill business leaders through attendance at TCFD SBU workshops as well as targeted training delivered to the finance community on what climate change and associated reporting obligations mean for their respective businesses.

It has also supported each SBU in better understanding how the impacts of the climate crisis may materialise within their portfolio which better informs a Group-wide understanding of how the organisation can respond to these risks and opportunities, and in developing Bridging the Gap sustainability action plans (see page 55).

Whilst activity undertaken in 2023 has provided greater insight into how each business may be impacted by the effects of climate change, the ability to accurately quantify the financial impact of climate-related risks and opportunities at a

Group-wide level remains a key area for development. The diverse nature of the Group’s operational activities continues to represent a challenge for the development of robust and replicable methodologies that can be applied business-wide.

The Group continues to set out its TCFD disclosures aligned with the 11 core elements against the pillars of governance, strategy, risk management, and metrics and targets. In doing so, it has considered section C of the 2021 TCFD Annex entitled Guidance for All Sectors and Section E of the TCFD Annex entitled Supplemental Guidance for Non-Financial Groups. The Group remains compliant with this guidance; assessment of the climate-related impacts on the Group undertaken to date are largely qualitative and are yet to be fully integrated into the longer-term financial planning processes for the business. Initial work undertaken to understand quantitative impacts is in its infancy and cannot yet be relied upon until this work stream is developed further. The table below outlines where elements of the TCFD disclosure requirements are addressed within the report.

PILLAR	TCFD RECOMMENDATION	SECTION NAME	Page
Governance	a) Board oversight	Division of responsibilities	p130
	b) Management role	Audit risk and internal control Sustainability	p145 p54
Strategy	a) Risks and opportunities	Division of responsibilities	p130
	b) Impact on organisation	Board composition, succession and evaluation	p134
	c) Resilience of strategy	Sustainability	p54
Risk management	a) Risk identification and assessment process	Risk management	p91
	b) Risk management process		
	c) Integration into overall risk management		
Metrics and targets	a) Climate-related metrics	Sustainability	p54
	b) Scope 1, 2, and 3 GHG emissions		
	c) Climate-related targets		



## Governance

Balfour Beatty's governance structure and organisation hierarchy underpin all Group activities and ensure that the business is managed and operated effectively (see page 54 for illustration). The structure allows the Board, its sub-committees and senior management to include climate-related risks and opportunity considerations alongside other potential exposures into the Group's strategic and operational risk profile.

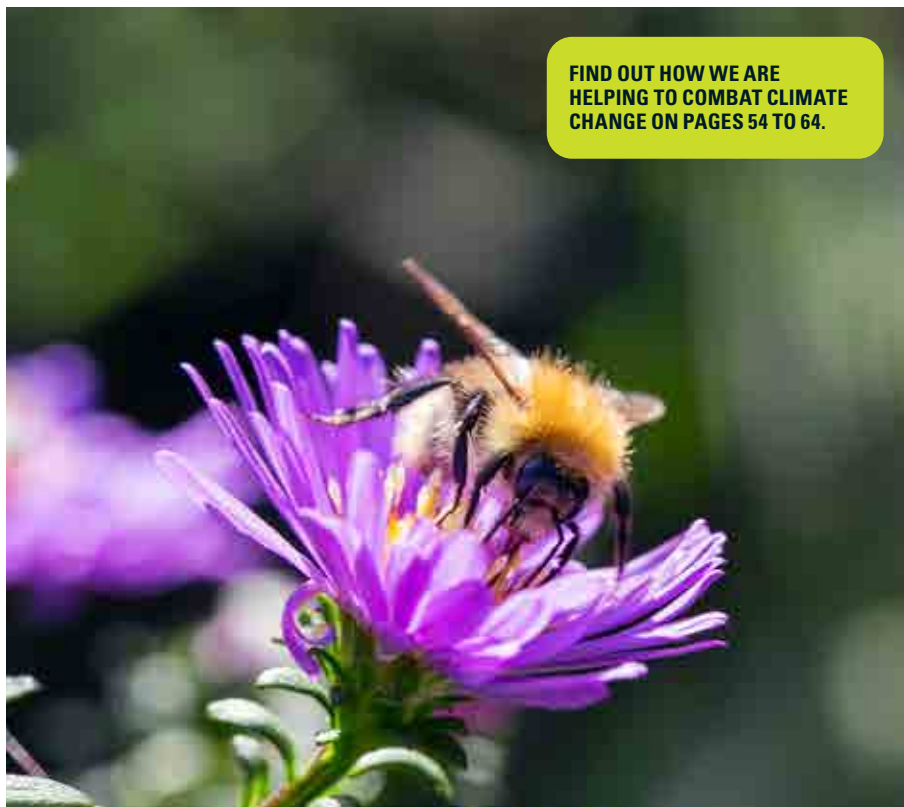
## Board oversight

The Board is responsible for setting the Cultural Framework of the business including its purpose, Build to Last strategy, values and behaviours. Together with its sub-committees, the Board provides leadership and oversight of the system of risk management which includes ensuring climate-related factors are being considered as part of identification of risk for the overall business.

The Safety and Sustainability Committee (SSC) reviews the Group's sustainability strategy, Building New Futures<sup>1</sup>, and monitors progress on climate-related issues including carbon emissions, materials and waste management, and social and community matters. The Group Chief Executive and two non-executive Directors are members of the SSC. The Group Chief Executive has overall responsibility for climate-related risks and issues as well as setting Balfour Beatty's sustainability policy and overseeing how Environmental, Social and Governance (ESG) matters are managed.

The SSC agenda is separated into two specific areas of focus: (i) health and safety; and (ii) sustainability, allowing for more time and emphasis on climate-related matters.

Both the Group Chief Executive and Chief Financial Officer have ESG-related targets included as part of their personal objectives. Examples include; a measurable improvement in the UK social value annually from the previous year; and a measurable improvement in the quality of carbon reporting – which takes into account carbon measurement methodology, near/long-term plans submitted to SBTi for validation and establishment of the Bridging the Gap sustainability action plans and progress against these.



The Audit and Risk Committee supports the Board in its oversight of all Group risks, which includes the two Group risks; mitigating and adapting to climate change, and delivering sustainability commitments.

The Audit and Risk Committee assesses the effectiveness of the Group's risk management framework, risk strategy and risk appetite and considers this alongside the risk profile and compliance with regulatory requirements. The Board, through the Audit and Risk Committee, is appraised of the climate-related risks and opportunities on an annual basis, alongside an overview of the TCFD workstream carried out and disclosure summary. Further information related to all Board meetings held and attended can be found in the Division of responsibilities section on page 130.

<sup>1</sup> <https://www.balfourbeatty.com/media/318683/balfour-beatty-building-new-futures-sustainability-strategy.pdf>.

## Management role

The Executive Committee's (ExCom) responsibilities include setting ambitions and targets in relation to climate-related matters under the Building New Futures sustainability strategy and supporting businesses in establishing and implementing Bridging the Gap sustainability action plans. ExCom members are also responsible for monitoring climate-related risks and opportunities identified as relevant to their respective businesses or functions.

Building on the Carbon Literacy training delivered to ExCom in 2022, SBU Financial Directors have been established as TCFD Champions, with targeted training undertaken in 2023. This training was designed to upskill the finance community in both an understanding of the TCFD disclosure requirements, and their role in supporting the identification, and ongoing assessment of climate-related risks and opportunities for their specific business.

The Group Sustainability function is responsible for understanding material sustainability considerations, setting related targets and ambitions, and enabling the development of operational action plans. The ExCom has overall responsibility for agreeing the Group's sustainability ambitions and targets. Each SBU has a sustainability director who is responsible for the individual business unit (BU) sustainability leads and project-based teams. The BU sustainability leads are responsible for developing bespoke Bridging the Gap sustainability action plans aligned to the Group's 2030 targets and 2040 ambitions. The SBU sustainability directors have overall accountability for these plans.

The senior leadership of each BU is responsible for agreeing its Bridging the Gap action plan and ensuring it is delivered and adequately resourced. These plans detail how projects should deliver sustainability at a local level, recognising that Balfour Beatty has a responsibility to mitigate climate change, protect biodiversity, and deliver long-lasting social value wherever possible. Risks and opportunities (including where defined as Emerging Risks) are also identified and tracked on BU risk registers where relevant.

Areas of focus within the Bridging the Gap action plans include leadership relating to sustainability; reducing Greenhouse Gas (GHG) emissions; biodiversity restoration and enhancement; efficient use of materials and reductions in waste; supporting local employment and skills including local businesses; and community engagement through charitable fundraising, volunteering and mentoring.

Internal audit teams review BU and project performance as outlined in the Bridging the Gap plans against the Group's sustainability strategy. PricewaterhouseCoopers LLP (PwC LLP) is engaged by Balfour Beatty to provide limited assurance over the reporting of social value, and the Group's Scope 1 and 2 greenhouse gas emissions for annual reporting purposes.

The TCFD Working Group, co-led by the Group Risk and Audit Director and Director of Sustainability, includes representation from Finance, Risk and Sustainability functions, and draws on functional support and expertise from the wider business. It engages with business and functional management across Balfour Beatty, ensuring climate-related risks and opportunities are adequately identified and incorporated into the Group's Enterprise Risk Management (ERM) system.

The TCFD Working Group oversees the implementation of climate-related risk management processes and reporting. The ExCom is updated by the Group Risk and Audit Director and the Director of Sustainability as part of the ongoing assessment of risk management and internal control.

The key objectives of the TCFD Working Group remain as:

- › to communicate TCFD reporting requirements to key stakeholders within the business;
- › to build awareness of climate-related risks and opportunities that could impact the Group;
- › to identify, analyse and disclose high-priority or potentially material climate-related risks and opportunities; and
- › to deliver ongoing review of climate-related risks and considerations and support how these are integrated into risk management processes.



**Strategy**

The Build to Last strategy is fundamental to how the organisation shapes a market-leading Balfour Beatty for the next 100 years. Build to Last is a platform for sustainable growth and productivity and is well placed to enable Balfour Beatty to develop resilience against the impacts associated with climate change over the short, medium and long term. Sustainable is one of the five values within the Build to Last strategy from which the Building New Futures sustainability strategy sets out the business' 2040 ambition to go Beyond Net Zero carbon emissions. It also details a 2030 target to reduce emissions by 50%. Bridging the Gap sustainability action plans developed by each SBU during 2023 are the focus for implementing and monitoring progress against the Building New Futures strategy.

As part of the business-specific SBU workshops undertaken for climate risks and opportunities in 2023, businesses were able to consider climate risks and opportunities in both the context of their current operations and business development strategies.

The outputs of these workshops reiterate that impacts and benefits to the Group will be proportional over time. Balfour Beatty's diverse operating portfolio and geographical spread mean that the likelihood of a number of climate-related risks occurring at the same time is low and they are unlikely to impact the Group's short-term financial viability or ability to operate in a business-as-usual state.

The nature of the Group's business model at present continues to provide an element of protection from negative financial risk where contractual mechanisms are in place. This will continue to evolve in maturity in line with the developing climate agenda as customers embed and enhance more climate-focused procurement evaluation criteria and commercial contractual clauses.

The Group considers climate-related risks and opportunities across different time horizons, defined as the short, medium, and long term:

- short term (0–3 years): Balfour Beatty's current operations and asset investments as well as near-term growth strategy;

- medium term (3–10 years): ongoing projects and contracts as well as growth strategy and asset investment decisions driven by government policy, infrastructure needs and market conditions; and
- long term (10–30 years): factors that could impact Balfour Beatty's business plans and longer-term strategy and business resilience.

**Setting climate scenarios**

The two scenarios set out by the Group will be used as it continues to develop a more robust assessment of the impacts of climate-related risks and opportunities. The Group has maintained the two scenarios identified in 2021, labelled Low Carbon, and now, Limited Action.

Under the Limited Action scenario, it is anticipated that the global mean temperature will increase by approximately 2.7°C, a mix of fossil fuels and renewables will be adopted as energy sources, carbon pricing will remain low, and legislation will be unchanged compared to today, resulting in a medium emissions future.

**Evolving our understanding**

	2021	2022	2023
<b>Key achievements</b>	<b>Establishment of TCFD Working Group and integration into ERM framework</b>	<b>Vulnerability/ Advantage (VA) assessment and top 10 risks defined</b>	<b>SBU-level impact and applicability assessments</b>
<b>Core activities</b>	<ul style="list-style-type: none"> <li>➤ Determined climate scenarios as 2°C and 4°C for the business</li> <li>➤ Captured physical and transition risks split across both scenarios informed by data, analysis, interpretation and forecasts – establishing a 'long-list' master climate register</li> <li>➤ Facilitated workshops with representation from business to identify additional relevant lists and prioritise – split across three geographical locations</li> <li>➤ Consolidated workshop output and high-level qualitative analysis of prioritised risks and opportunities</li> <li>➤ Ranked risks and opportunities over the short, medium and longer term</li> <li>➤ Commenced scenario analysis</li> <li>➤ Delivered climate awareness session to the Board</li> </ul>	<ul style="list-style-type: none"> <li>➤ Revised climate scenarios to &lt;2°C (Low Carbon) and ~2.7°C (Limited Action)</li> <li>➤ Development of VA to evaluate and prioritise risks from 2021</li> <li>➤ Applied the VA assessment to determine top 10 highest rated key climate-related risks and opportunities to take forward for further analysis</li> <li>➤ Identification of 500 site and asset locations for physical data modelling out to 2100, over both climate scenarios to highlight exposure to climate perils</li> <li>➤ Early development of financial methodologies for top 10 risks and opportunities allowing for the identification of gaps in consistent and comparable internal data</li> <li>➤ Delivered carbon literacy training to ExCom</li> </ul>	<ul style="list-style-type: none"> <li>➤ Delivered TCFD training session to the finance community, with SBU Finance Directors identified as TCFD Champions for each SBU</li> <li>➤ Issued pre-workshop survey to each SBU to gather information on applicability of top 10 prioritised risks to their business</li> <li>➤ Facilitated individual workshops for each SBU to explore the relevant events in the context of their specific business plans and objectives – and understand impacts and planned response</li> <li>➤ Analysed workshop findings to identify common insights, including any risks and opportunities to be incorporated into future reviews</li> <li>➤ Collated the information to present back to SBUs for consideration in future strategic risk reviews, and where required, actions integrated into Bridging the Gap plans as part of strategic delivery</li> </ul>



## CLIMATE SCENARIOS

Scenario	Physical		Transition		Rationale for scenario
	Warming by 2100	Future emissions	Energy sources	Policy narrative	
<b>Limited Action</b>	~2.7°C	Medium	Mix of fossil fuels and renewable energy	Achievement of Nationally Determined Contributions (NDC) under Paris Agreement and other policy commitments	Represents possible future risks if there is minimal additional action Most significant impacts from physical risks
<b>Low Carbon</b>	<2°C	Low	Mostly renewables and low-carbon fuels	Ambitious policy agenda leading to transformation of the energy system Many advanced economies reach net zero emissions by 2050, with the rest of the world reaching net zero by 2070	Aligns with best-case scenario and current recommendation from the IPCC Most significant impacts from transition risks

For physical scenarios, the IPCC AR6 SSP 2–4.5 Middle of the Road (Limited Action) and SSP1–2.6 Sustainable (Low Carbon) projections were utilised. For transition scenarios, the IEA World Energy Outlook 2021 Stated Policies Scenario (Limited Action) and Sustainable Development Scenario (Low Carbon) were utilised.

### Impact and response to climate-related events

As was highlighted through the 2022 workstream, work to financially quantify the impacts of climate change on the business was presented with a number of limitations which meant there was limited confidence in determining, and subsequently disclosing, any financial figures.

The Group continues to disclose the anticipated financial impact category associated with each event, and the likelihood of each event occurring under the Low Carbon and Limited Action scenarios.

Balfour Beatty's operations are diverse, undertaking very different work activities across a broad client portfolio (both public and private), often under differing contractual terms and profit margins across distinct core geographies. Therefore, to be able to understand the potential impacts of climate change on the business, the approach in 2023 was to review climate-related risks and opportunities business-by-business. The work carried out in 2023 with each SBU has provided a better basis on which to approach financial quantification. By understanding the impact of each risk and opportunity event in the context of specific business plans and growth strategies, the methodologies developed to financially assess impacts will be informed by more accurate, granular data on a business-by-business basis, making it more relevant to that area of operation.

Compartmentalising the impact of a particular event in this way will allow a more informed view to be presented at Group level.

TCFD financial reporting considerations are conducted by the Group Finance function. Their assessment acknowledges the areas of the business that could be impacted by climate change but also highlights that in the shorter-term the Group does not anticipate a material impact from climate-related factors. The Group considers climate change in its going concern assessment biannually and viability assessment annually (see page 104). As part of this, consideration is given to whether existing assets could be impaired.

It has been determined that the Group has an in-built resilience to the impacts of climate change in the short-term, due to the current level of geographic and market diversity of its operations.

This enables the Group to pivot away from markets more exposed to climate risk and expand into existing and/or new markets presented by the global response to climate change.

In 2022, with third-party support, a weather modelling tool was developed that mapped out the impact of specific weather perils across 500 physical locations. Locations were based on a sample of some medium-term projects within the current order book, and any fixed assets within the current portfolio. These weather events have been modelled under both the Low Carbon and Limited Action scenarios out to the year 2100. Integrating the use of this tool into the business will evolve in 2024.

Whilst much of the impact analysis to date remains qualitative, the Group has begun to consider quantifiable impacts against certain risks internally, where the underlying

data is available and where current visibility of the risks allows. Work to improve the collection of consistent and reliable data across the Group with regards to quantifying impacts continues.

The potential financial impacts of the Group's positive and negative exposure to climate risks and opportunities require many assumptions to be made in respect of factors such as low-carbon technology forecasts, energy consumption, carbon pricing forecasts, and others, which are subject to high variability.

The analysis conducted to date shows that the overarching business strategy would not be impacted, and importantly, mitigating actions are already in place for certain risks, which significantly reduces potential negative financial impacts. There will be opportunities to continue to iterate the analysis as the scope of relevant data and assumptions becomes available both internally and externally to support and inform further quantitative assessment.

As part of the goal to explore how the Group understands and defines financial and non-financial materiality in the context of climate-related impacts, the TCFD Working Group continues to engage with internal stakeholders and regulatory forums. A discussion with Group Finance to review and define materiality thresholds over the medium and longer term has been held, with the intention to explore this at SBU level with the TCFD Champions as the TCFD workstream evolves.

Furthermore, to support future assessments of materiality in the context of climate-related impacts over the medium and longer-term, the Group continues to engage with stakeholders and regulatory forums.



Highest rated climate-related risks and opportunities

Risk/Opportunity	Potential impacts/outcomes to the business	Potential adaptation and mitigation/promotion strategies
 <p><b>Increase in demand for renewable and low-carbon energy generation, storage, transmission and distribution increases awarded contracts</b></p>	<ul style="list-style-type: none"> <li>➤ Increased revenue and positive impact on ESG scores.</li> <li>➤ Opportunity to expand business capability and skillsets.</li> <li>➤ Collaboration with design partners to develop low-carbon solutions.</li> <li>➤ Support transition to lower-carbon economy.</li> <li>➤ Collaboration with new and sustainable customers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Enhanced collaboration and dialogue with value chain members.</li> <li>➤ Promotion of research and development in green infrastructure technologies.</li> <li>➤ Creation of partnerships to promote new green infrastructure.</li> <li>➤ Increased focus on climate-related opportunities through Project Development Managers.</li> <li>➤ Adapt the Gated Business Lifecycle (GBL) to focus on these opportunities.</li> </ul>
 <p><b>Increase in demand for green, energy efficient, and net zero buildings/ Infrastructure increases awarded contracts</b></p>	<ul style="list-style-type: none"> <li>➤ Increased revenue.</li> <li>➤ Development of new low-carbon construction design methods to support the wider sector and built environment positive impact on ESG scores.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Enhanced collaboration and dialogue with value chain members.</li> <li>➤ Promotion of research and development in green infrastructure technologies.</li> <li>➤ Creation of partnerships to promote new green infrastructure.</li> <li>➤ Increased focus on climate-related opportunities through project development managers.</li> <li>➤ Adapt the GBL to focus on these opportunities.</li> </ul>
 <p><b>Increase in demand for climate disaster adaptation/climate resilient infrastructure increases awarded contracts</b></p>	<ul style="list-style-type: none"> <li>➤ Increased revenue.</li> <li>➤ Supports the mitigation of the effects of extreme weather events to our economy and society.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Enhanced collaboration and dialogue with value chain members.</li> <li>➤ Promotion of research and development in green infrastructure technologies.</li> <li>➤ Creation of partnerships to promote new green infrastructure.</li> <li>➤ Increased focus on climate-related opportunities through project development managers.</li> <li>➤ Adapt the GBL to focus on these opportunities.</li> </ul>
 <p><b>Increase in efficiency reduces energy consumption and material use</b></p>	<ul style="list-style-type: none"> <li>➤ Contribution to lower-carbon economy.</li> <li>➤ Reduced operating costs through reduced energy use.</li> <li>➤ Reduced impact on natural resources, which extends to not only the reduced use of materials by using resources efficiently, but also the wider reduced impact on the environment from the transport of materials, mitigating the associated carbon emissions, air quality and traffic impacts of deliveries and end-of-life use of materials. Implementing a circular economy for natural resources reduces the associated impacts of waste processing, recycling and landfill.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Utilise machine telemetry data to drive efficiencies in plant and equipment utilisation (see 'plant telematics improving operational efficiencies' case study (p.59).</li> <li>➤ Upskilling our people through 'Eco-Operator' training (see page 57).</li> <li>➤ Continued implementation of energy-demand side response reduction solutions in our property and project accommodation portfolio.</li> <li>➤ Actionable project-level resource efficiency plans to avoid and minimise waste.</li> </ul>
 <p><b>Carbon pricing increases prices of energy and raw materials</b></p>	<ul style="list-style-type: none"> <li>➤ Increased cost to the business and supply chain.</li> <li>➤ Potential reduction in future projects horizon if major infrastructure projects become too costly to fund.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Monitoring of current carbon pricing to determine impact on business and supply chain across geographies.</li> <li>➤ Ensure, where possible, contractual protection from increased additional costs to the customer.</li> <li>➤ Implementing efficient use of the products and services we procure.</li> <li>➤ Avoiding, minimising or replacing carbon intensive products and services for lower-carbon alternatives.</li> </ul>



Relevance to operations	Financial impact category	Anticipated Time horizons	Likelihood	
			Limited Action	Low Carbon
<p>There is a record capital investment in energy infrastructure (see page 15) driven by a growing demand for clean and secure energy (see page 18) and increase in renewable energy (see page 18), all of which contribute to Balfour Beatty being well positioned to pursue opportunities in the following markets:</p> <p><b>Rail expansion and electrification:</b> The UK Department for Transport reaffirmed in 2023 that it is committed to removing all diesel-only trains by 2040. Balfour Beatty holds a market leading position with Network Rail (see page 38) placing the Group in a strong position for future opportunities in the UK's rail sector through the UK Rail business.</p> <p><b>Power transmission and distribution (UK):</b> Energy generation and transmission is at the core of the business' workstream. An increase in use of renewable energy sources is driving a strong pipeline of opportunities, including SSEN's Accelerated Strategic Transmission Investment (ASTI) framework, RIIO-T3, RIIO-ED2 and National Grid's Great Grid Upgrade programme that will see significant investment until 2030 to support the UK's net zero goals under Ofgem's £20 billion ASTI funding.</p> <p><b>Major infrastructure (UK):</b> New low-carbon energy infrastructure – new nuclear, carbon capture and hydrogen are all part of current or future opportunities (see page 18).</p> <p><b>Investments:</b> The green energy transition is creating new investment opportunities in markets such as EV charging e.g. Urban Fox EV charging solution in the UK (see page 41).</p>	Increased revenue	Short Term Medium Term Long Term	 Almost certain	 Almost certain
<p><b>Sustainable construction practices:</b> It has been identified as a key market driver that policy shifts and market demand for sustainable construction practices (see page 17) will shape how the Group operates in its chosen markets via the Construction services and Support Services divisions across its UK and US regions.</p> <p><b>Building a positive legacy:</b> Through Balfour Beatty's investment portfolio, there are opportunities to leave a sustainable legacy through energy efficiency projects in the assets managed by the Group. Balfour Beatty Communities working in military housing in the US, have enhanced energy efficiency across 11 Navy installations (see page 57).</p>	Increased revenue	Short Term Medium Term Long Term	 Almost certain	 Almost certain
<p><b>Carbon capture and storage:</b> There is an increasing understanding that as part of the response to the climate crisis, proven carbon capture and storage technology will need to be deployed in order to mitigate the worst effects of climate change. Balfour Beatty through its proven capabilities in major infrastructure is proudly set to shape a first-of-a-kind integrated power and carbon project in Teesside (see page 33).</p> <p><b>Flood defences:</b> Balfour Beatty already has several live projects in this market, with future opportunities expected through the £5.2 billion The Department for Environment, Food and Rural Affairs (DEFRA) will invest from 2021 to 2027, to upgrade and expand flood and coastal defences to reduce flood risk (see page 19).</p> <p><b>Highways:</b> Climate resilient infrastructure – maintenance contracts for highways are already part of the Group's workstream, with future opportunities expected. There will also be a need to increase the resilience of the road network to the extreme weather driven by climate change, such as drainage capacity.</p>	Increased revenue	Short Term Medium Term Long Term	 Almost certain	 Almost certain
<p><b>Plant telematics:</b> Balfour Beatty and its plant supply chain partners are putting significant effort into utilisation of machine telemetry data across our projects to improve plant utilisation and drive efficiencies. On our £240 million A63 Castle Street Improvement Scheme we have been using telematics data, alongside Eco-Operator training to deliver improved fuel efficiency and carbon reductions (see page 57).</p> <p><b>Lean:</b> Improved efficiency in Balfour Beatty's operations would have a significant positive impact on the ability of the Group to deliver its sustainability targets and ambitions outlined in its Building New Futures strategy. The Group's performance to date and the implementation abatement actions driving efficiencies are detailed by category relating to: energy efficiency (see pages 60 to 63), materials management (see pages 65 and 66) and responsible sourcing (see page 67).</p>	Reduced OPEX	Short Term Medium Term	 Almost certain	 Almost certain
<p><b>Increased project cost:</b> Carbon pricing will affect both project delivery and the supply chain by increasing costs of essential goods and services fundamental to operational delivery, especially materials with a high embodied carbon, such as steel. This may result in increased operating costs on projects.</p> <p><b>Power transmission and distribution (UK):</b> The power transmission and distribution sector's reliance on materials with high embodied carbon such as concrete, steel, cement and aggregates has prompted the Group's client base to discuss carbon pricing at tender stage resulting in a more complex, detailed and therefore, demanding contract tender process. This increased pre-award up-front transparency exercise has resulted in greater early collaboration with the supply chain to increase visibility of environmental product declarations and availability of low-carbon materials.</p>	Increased OPEX	Short Term Medium Term	 Likely	 Almost certain













Highest rated climate-related risks and opportunities continued

Risk/Opportunity	Potential impacts/outcomes to the business	Potential adaptation and mitigation/promotion strategies
 <p><b>Cost of transitioning owned plant and equipment to lower-carbon options</b></p>	<ul style="list-style-type: none"> <li>➤ Increased capital expenditure to replace existing plant and fleet.</li> <li>➤ Increased research, innovation and implementation costs may present risks associated with bringing new technologies to market, resulting in new skills development and training required to deploy low-emission technology alternatives.</li> <li>➤ Lifecycle of existing assets may be reduced resulting in early impairment and retirement, or write-off of plant, equipment and fleet assets. Investment in newer replacement assets earlier than planned.</li> <li>➤ Low carbon technology for high-impact equipment does not innovate as fast as required in order to meet milestones of planned carbon reduction targets.</li> <li>➤ A disparity grows between geographies and regions with more robust EV charging or hydrogen supply infrastructure in comparison to lagging jurisdictions where this technology is not available to implement at all or at scale.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Assess the viability of construction projects that utilise low-carbon emission technology.</li> <li>➤ Enable capability by providing training for low-carbon design optioneering and use of new technologies.</li> <li>➤ Strong collaboration with supply chain to ensure low-carbon asset requirements are met, implemented through the Asset and Technology Solutions team.</li> <li>➤ Continue to implement 'Eco-operator' training (see page 57) to ensure lean driver behaviours and more effective asset management deliver fuel efficiencies for plant and equipment.</li> </ul>
 <p><b>Insurance premiums increase/ become unavailable due to higher cost of adaptation measures or more stringent insurance policies</b></p>	<ul style="list-style-type: none"> <li>➤ Potential reduction in future projects horizon if major infrastructure projects become too costly to fund.</li> <li>➤ Diminished returns across Infrastructure Investments assets.</li> <li>➤ Increased cost to the business.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Review insurance arrangements.</li> <li>➤ Monitor insurance market shifts.</li> <li>➤ Engagement with broker and insurers.</li> <li>➤ Disclosure and transparency with insurers for any nascent or new project technology.</li> </ul>
 <p><b>High-speed wind leads to damage to physical assets and disruption at own sites</b></p>	<ul style="list-style-type: none"> <li>➤ Delays to project delivery from stand-down of sites and /or to rectify damage caused by high-speed winds.</li> <li>➤ Increased costs as extreme weather event classification may not be provisioned for within contractual clauses.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Close monitoring of weather forecasts to ensure employee safety and adequate preparation.</li> <li>➤ Utilising third-party expertise for support with climate modelling to understand physical risk impacts.</li> <li>➤ Increase resilience of sites to extreme weather events by implementing contingency plans.</li> </ul>
 <p><b>Increased precipitation leads to environmental impacts, damage to physical assets and disruption at own sites</b></p>	<ul style="list-style-type: none"> <li>➤ Delays to project delivery from stand-down of sites and / or to rectify damage caused by flooding.</li> <li>➤ Impact on valuation of assets in known flood zones.</li> <li>➤ Potential increased exposure to environmental incidents and fines.</li> <li>➤ Increased costs as extreme weather event classification may not be provisioned for within contractual clauses.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Close monitoring of weather forecasts to ensure employee safety and adequate preparation.</li> <li>➤ Evaluation of physical climate risk exposure specifically to asset and project locations near waterways or coasts.</li> <li>➤ Utilising third-party expertise for support with climate modelling to understand physical risk impacts.</li> <li>➤ Increase resilience of sites to extreme weather events by improving defences and implementing contingency plans.</li> <li>➤ Considering relocation of manufacturing activities.</li> </ul>
 <p><b>Droughts cause disruption or lead to increase in operation costs due to higher water prices and restrictions on water consumption</b></p>	<ul style="list-style-type: none"> <li>➤ Increased costs as extreme weather event classification may not be provisioned for within contractual clauses.</li> <li>➤ Reduction in horizon opportunities for planned major infrastructure schemes as projects become too costly to fund due to drought-driven cost increases.</li> <li>➤ Challenging or unsafe working conditions for employees.</li> <li>➤ Delays to project delivery due to pollution concerns arising from the inability to use water for dust suppression.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Close monitoring of weather forecasts to ensure employee safety and adequate preparation.</li> <li>➤ Evaluation of physical climate risk exposure specifically to asset and project locations near waterways or coasts.</li> <li>➤ Third-party climate modelling expertise to understand physical risk impacts.</li> <li>➤ Increase resilience of sites to extreme weather events by implementing contingency plans.</li> </ul>





Relevance to operations	Financial impact category	Anticipated Time horizons	Likelihood	
			Limited Action	Low Carbon
<p><b>Asset and Technology Solutions (ATS):</b> A specialist in-house team which provides comprehensive plant, vehicle and equipment services to Balfour Beatty across the UK. Strategic asset services include in-house solutions such as HGVs, tower and crawler cranes, piling equipment, fire and security services, suction excavation, modular buildings and driver risk. Across all these asset types the challenges of availability and commercial viability of low-carbon options for equipment and machinery, and the extent of EV charging infrastructure, have the potential to impact the Group's ability to fulfil customer climate-related ambitions.</p> <p><b>US Buildings and Civils:</b> Availability of low-carbon options for construction machinery in the supply chain is a concern for our US Buildings and Civils business which have a lower proportion of projects that are self-delivered in comparison to the UK counterpart businesses. The requirement to transition to low-carbon equipment will have an impact over time on the value chain through the ability to select subcontractors that can deliver project demands using low-carbon alternative equipment.</p> <p><b>Specialised equipment:</b> To deliver the Group's complex construction and infrastructure activities, specialist equipment and larger plant assets are often required which do not, as yet, have low-carbon alternatives available in the market. In the Rail sector, low-carbon options are not available for on-track fleet. Where low-carbon alternatives do not yet exist, efficiencies for these assets will be pursued by the Group.</p>	Increased CAPEX	Medium Term Long Term	 Almost certain	 Almost certain
<p><b>Insurance cost and availability for construction projects:</b> An increase in the cost of insurance may result in operations not being sufficiently covered by insurance or insurance not being available across the full project lifecycle. Both scenarios would result in project start-up delays or increased operating cost. In some cases, clients may choose not to proceed with certain private sector opportunities should insurance costs be too high or unrecoverable, potentially impacting future horizon opportunities in this market segment in the longer-term.</p> <p><b>Insurance cost and availability for asset insurance and returns:</b> The risk of Infrastructure Investments assets becoming uninsurable is considered minimal, however insurance premium increases could be seen for areas prone to severe weather events specifically in the US such as California and Florida.</p>	Increased OPEX	Medium Term Long Term	 Unlikely	 Unlikely
<p><b>Safe operation of equipment:</b> High winds can disrupt on-site activity as machinery and equipment must be operated under safe wind speeds. Cranes, both tower crane and luffer type, which are vital to project delivery when building at height for our UK Construction, US Buildings, Major Projects and US Civils businesses are most affected by this.</p>	Expected asset impact	Medium Term Long Term	 Possible	 Possible
<p><b>Silt pollution:</b> Increased rainfall can increase the likelihood and impact of silt runoff and landslides, disrupting site access and potentially creating environmental incidents with enforcement risk. Pollution from silt is one of the more frequent environmental incidents, especially when working in rural and high elevation environments with significant annual rainfall in the UK. Overhead line construction and refurbishment projects delivered by the Power Transmission &amp; Distribution business and the UK Construction Regional Scotland business and operations in the US Pacific Northwest are especially prone to these kind of events based on the locations where these project operations take place.</p>	Expected asset impact	Medium Term Long Term	 Possible	 Possible
<p><b>Wildfires:</b> Droughts can effect our operations through the increased risk of wildfires, which would have the most potential impact on our US Buildings projects in California and the Pacific Northwest, through project delays and supply chain disruption.</p> <p><b>Water usage restrictions:</b> Where water cost increases or water use is restricted due to drought conditions, this has the potential to cause disruption across the Group's operations. Processes such as concrete mixing and soil compaction require water, and drought conditions would have the potential to delay or disrupt these activities, leading to potential wider project delays and over-runs which would increase operating costs. The Group's US Buildings and Civils business operates in the chosen states of Texas, Arizona, California and Florida which are demarcated as states with high underlying water stress with the potential to worsen as the effects of climate change deepen.</p> <p>Dust suppression capabilities also require water. This is relevant across the majority of the Group's portfolio of operations and to a wide remit of construction activities including demolition work, earthmoving, concrete grinding and cutting, asphalt paving and milling, renovation and remodelling activities, land-clearance, as well as the grading, compacting, and laying of aggregates and the handling of construction waste.</p> <p><b>Goods and services:</b> There is the potential for deeper supply chain disruption, where increased cost of clean water or water use restrictions impact on the cost to manufacture goods procured by the Group and used in operations. Lack of reliability of supply for these goods because of water scarcity from drought conditions presents the possibility of project delays and disruptions and increased operating costs. The textile industry, which consumes significant amounts of water in various stages of production with a manufacturing base in areas of water stress, is a potential area which would negatively impact the Group via lack of availability of or affordability of PPE.</p>	Increased OPEX	Medium Term Long Term	 Possible	 Possible



## Risk management

The Group maintains its approach to integrate climate-related risk identification into the existing ERM framework to ensure that it is considered at Group, business and operational levels, and this will continue to evolve.

Mitigation of, and adaptation to, climate change is identified as a risk on the Group risk register. This risk is monitored by the ExCom as part of the half year and full year reviews of the Group's risk profile (see page 91). Current management plans are largely focused on exploring and understanding the full impacts of risks to develop appropriate mitigation and adaptation strategies which, where possible and relevant, are incorporated as part of Bridging the Gap plans. The diagram below outlines how consideration of climate-related risk is incorporated into Balfour Beatty's current ERM framework.

A mapping exercise is conducted to identify where climate change may be a cause or driver to other Group risks, and/ or where it may further compound impacts.

As part of the TCFD workstream, the highest rated risks and opportunities for the Group have been identified, and have been taken forward as part of the 2023 work activity with SBUs to explore their impact within the business. These are detailed on page 110 to 113 and are grouped by opportunities and then risks. These are not listed in sequence of impact and likelihood, nor by their significance to the business.

The Balfour Beatty risk management process to identify, assess, respond to, and monitor risk (outlined on page 92) is applied by the business to identify climate-related risks and opportunities alongside other risks. Whilst this ensures a consistent process is applied when identifying and reviewing all risks, there are some specific additional considerations that differ for climate-related risk that should be taken into account.

Additional guidance has been developed to highlight the differences (and in some cases, limitations) when addressing climate-related considerations at each stage of the risk process. The key differences in the time-horizons over which the business traditionally identifies and assesses risk are also highlighted as part of this guidance. Key areas are outlined in the table below.

Work undertaken by the TCFD Working Group in 2023 explored the specific impacts of each relevant risk and opportunity in the context of specific SBU objectives which has resulted in greater understanding of the risks the business faces and the capture of these on Strategic Risk Registers. SBUs consider risk in the context of their business objectives and growth strategies. Reviewing climate-related risks and opportunities alongside existing strategic risks will support more targeted responses to manage these over the medium and longer-term.

Balfour Beatty's IRIS ERM system captures risk data at each level outlined in the ERM framework and includes climate change as a specific category, providing insight to trends on operational and business level risk data. Businesses can use any specific climate-related risk information captured across operational portfolios to provide insight at SBU level.

## Metrics and targets

Full details of climate-related metrics and targets, including Scope 1, 2 and 3 emissions, can be found in the Sustainability section on pages 54 to 63.

## Transition plan

Balfour Beatty is aware of the Transition Plan Taskforce (TPT) release of final outputs in 2024, including a disclosure framework, implementation guidance and its proposed development of sector specific guidance documents. The Group will work towards adopting the TPT disclosure framework guidance as it continues to integrate its own Transition Plan into the Group's strategic goals. Balfour Beatty's GHG abatement actions will be driven by the GHG reduction targets contained within its Science Based Targets, supported by a robust and credible GHG reduction pathway. For more information on Balfour Beatty's commitment and progress on Science Based Targets, see page 58.

## INTEGRATION OF CLIMATE-RELATED CONSIDERATIONS INTO THE EXISTING BALFOUR BEATTY RISK PROCESS

### Balfour Beatty's risk management process



### Activities

- 1. IDENTIFY**
  - > Identify material risk/opportunity events, causes, and consequences
  - > Identify current relevant controls in place
- 2. ASSESS**
  - > Assess risks and opportunities, by considering size of potential impact, and overall likelihood of event to occur
- 3. RESPOND**
  - > Manage further by developing SMART actions to reduce or eliminate impact and/or likelihood
- 4. MONITOR**
  - > Monitor outstanding actions and effectiveness of controls, and re-assess as actions are implemented. Escalation of the most critical risks is considered as part of the review process

Traditional Risk Time Horizon ~ 3 years

Climate-related risks and opportunities span from short-term to long-term (2050 onwards)

## CLIMATE-RELATED RISK INTEGRATION INTO ERM FRAMEWORK



### Group

- › Climate-related and sustainability risks identified in Group risk register
- › Climate-related risk mapped as a potential driver to existing Group risks
- › Establishment of climate risk and opportunity register in ERM system to facilitate tracking and monitoring

### Business

- › Stand-alone enabling function sustainability risk register (inc. climate-related risks)
- › Capture of climate-related risk events (including where defined as Emerging Risk) in SBU, BU and Functional strategic risk registers where relevant
- › Grouping of climate-related categorised risks in ERM system for use by the Sustainability function

### Operational

- › Grouping of project short-term climate-related categorised risks in ERM system provides sight to Sustainability function and can be used to inform BU and SBU risk profiles
- › IRIS Risk Library prompts capture of core and common short-term climate-related risks at both project and business level
- › Physical risk event dashboard models weather perils across 500 operating locations

## Climate-related risk/opportunity considerations and limitations

- › Events span longer time horizons and may not occur in the current business planning period (more risks captured as emerging)
- › Due to timeframes, current controls tend to be longer-term planning and innovative thinking, that will become more specific and targeted over time
- › Events need to be considered in different possible futures (Low Carbon or Limited Action scenarios)
- › Longer time horizons and the continuous evolution of climate science and associated models cause increased uncertainty on both impact and likelihood
- › Limited or inconsistent data to accurately quantify risks
- › Impacts are more qualitative in nature – VA assessment developed as a tool in 2021, can be used to assess climate-related risk events at Group level to assess exposure, sensitivity and adaptive capacity
- › Responses to manage further can include better understanding of, adapting to, or mitigating the impacts of climate risk, and the promotion or pursuit of opportunities. Some action plans may be longer-term in nature
- › Actions could involve gathering more information about the risk, rather than managing it directly – examples could include establishing indicators to better understand the likelihood of possible climate futures, and building the capability to adapt to risk and take advantage of opportunities. In some cases, these actions may be in the form of strategic direction rather than localised actions
- › Often, risks and opportunities have unknown or approximated impacts and are captured and tracked as Emerging Risks
- › Key risk (and opportunity) indicators will be leveraged to track progression



# Promoting the long-term, sustainable success of the Company

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# Group Chair's introduction



## Dear Shareholder

On behalf of the Board, I am delighted to present my report describing the activities of the Board during 2023, along with our governance arrangements and our focus for 2024.

During 2023, the Board continued to focus on the delivery of our Build to Last strategy, which is underpinned by strong governance and controls. The Board oversees the Group's purpose, values and strategy, ensuring that these are aligned to the culture of the business. As an example of the Board's focus on governance, in July, the Board visited Fort Carson in the US where it had the opportunity to meet the site Commander and a broad spectrum of employees working in the military housing business to see in practice the positive effects of the We Care cultural transformation programme, and the work being carried out by the Communities team to address the actions set out in the independent compliance monitor's first report. I am pleased to say that good progress is being made and I look forward to seeing continued progress in 2024.

The Group's diversified portfolio, both geographically in the UK, US and Hong Kong, and operationally across Construction Services, Support Services and Infrastructure Investments, provides a strong platform for future shareholder returns. To capitalise on these opportunities, the Group will continue to operate effective governance and control frameworks that ensure agility, responsiveness, and adaptability in its decision-making processes. The Board is optimistic that this proactive approach will ensure that the Group can seize emerging opportunities and navigate evolving market conditions.

The Board recognises that the Group's long-term success depends on our ability to attract and retain a diverse workforce equipped with the essential skills. We are

committed to achieving this through our employee training and development programmes which will contribute to ensuring diversity of thought and experience across all levels. For further information on our employee initiatives, please see pages 125 to 127.

Louise Hardy, who was appointed as Workforce Engagement Lead in 2022, has been influential in advancing our engagement activities. Louise's work has enabled the Board to obtain direct insights into the workforce dynamics. In 2023, the Board expanded its efforts to enhance employee engagement by organising 57 site visits, which both the non-executive Directors and I attended, allowing for meaningful conversations with employees in each of the geographies in which the Group operates (UK, US and Hong Kong) and at all levels of the organisation. In early 2024, I was lucky enough to spend time with the co-chairs of our Affinity Networks: Ability, Gender, LGBTQ+, Multicultural and Neurodiversity, who are making a difference to our workplace processes and practices. Details of Louise's responsibilities as the Workforce Engagement Lead can be found on page 131 and further details on workforce engagement can be found on pages 125 to 127.

During 2023, the search for two new non-executive Directors was carried out with support from Odgers Berndtson, and whilst the search included a mix of criteria relevant to both diversity and inclusion, including gender and ethnicity, all appointments are made on merit to ensure the appropriate mix of skills and experience on the Board, valuing the unique contribution that an individual will bring. I am delighted that as a result of the search, we welcomed both Robert MacLeod and Gabrielle (Gabby) Costigan MBE as non-executive Directors, who joined the Board on 8 March 2024. At the conclusion of the Company's 2024 AGM, Robert will be appointed as Chair of the Audit and Risk Committee and Gabby as Chair of the Safety and Sustainability Committee.

As a result of the changes that will take place at the conclusion of the 2024 AGM, the Board will have 44.4% female representation and with the appointment of Anne Drinkwater as Senior Independent non-executive Director, the Board will have female representation within its most senior positions. The Board remains supportive of the recommendations set out in the Parker Review and will therefore continue to pursue compliance with its established targets. In support of this, the Board updated its Diversity and Inclusion policy, as referred to on page 140, with

the aim to have no less than 40% female representation and at least one Director from an ethnic minority background.

Beyond the Board, Balfour Beatty has decided to address diversity and inclusion in the UK through the Value Everyone Diversity and Inclusion Action Plan, and through the Ability, Gender, LGBTQ+, Multicultural and Neurodiversity Affinity Networks.

The Board continued to demonstrate effectiveness through constructive debate, a spirit of openness and mutual respect, and a measured approach to decision making. As noted on pages 136 and 137, our internal Board effectiveness review concluded that the Board and its Committees continued to operate effectively throughout 2023.

## Executive remuneration

After the triennial review of the Directors' Remuneration Policy carried out by the Remuneration Committee, an updated version of the policy was, following consultation with shareholders and considering the feedback received, approved by shareholders at the 2023 AGM.

## Succession planning

The Nomination Committee undertook succession planning for both the Board and the Executive Committee. The Committee also reviewed the talent and succession plans for business unit managing directors and project directors in addition to monitoring some of the development programmes that are operated across the Group. In succession planning and reviews of Board and executive-level composition, the Board considers a range of different aspects of diversity, including age, disability, gender, ethnicity, education and social background.

I would like to thank the Board for their extensive workforce engagement activities carried out in the year, and also the Committee Chairs for improving governance across the Board's areas of responsibility.

**Charles Allen, Lord Allen of Kensington, CBE**

Non-executive Group Chair

12 March 2024



GOVERNANCE AT A GLANCE

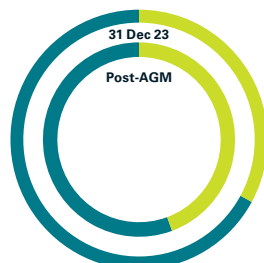
100%

BOARD MEETING ATTENDANCE

100%

COMMITTEE MEETING ATTENDANCE

Board gender diversity



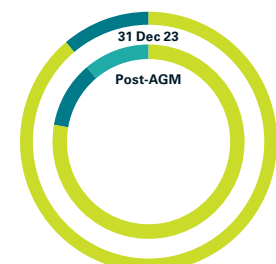
	31 Dec 23	Post-AGM
Female	33.3%	44.4%
Male	66.7%	55.6%

Board independence



	31 Dec 23	Post-AGM
Executive Directors	2	2
Independent non-executive Directors	7	7

Diversity of nationalities



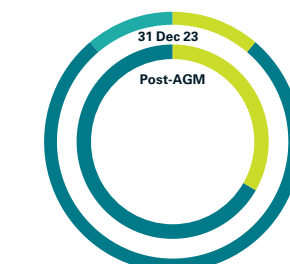
	31 Dec 23	Post-AGM
UK	8	7
US	1	1
Australia	0	1

Non-executive Directors' tenure



	31 Dec 23	Post-AGM
0-3y	2	4
4-6y	1	1
7-9y	4	2

Age diversity



	31 Dec 23	Post-AGM
51-60	1	3
61-70	7	6
71-80	1	0

BOARD CHANGES FOLLOWING THE 2024 AGM

- › Robert MacLeod joined the Board as an independent non-executive Director on 8 March 2024 and will be appointed as Chair of the Audit and Risk Committee on 9 May 2024
- › Gabby Costigan MBE joined the Board as an independent non-executive Director on 8 March 2024 and will be appointed as Chair of the Safety and Sustainability Committee on 9 May 2024
- › Dr Stephen Billingham CBE will step down as an independent non-executive Director, Senior Independent non-executive Director and Chair of the Audit and Risk Committee on 9 May 2024
- › Stuart Doughty CMG will step down as an independent non-executive Director and Chair of the Safety and Sustainability Committee on 9 May 2024
- › Anne Drinkwater will be appointed as Senior Independent non-executive Director on 9 May 2024

KEY ACTIONS FROM 2023:

- › Considered actions arising from the 2022 Board effectiveness review
- › Enhanced the effectiveness of the Board's workforce engagement
- › Monitored progress against targets to improve diversity and inclusion across the Group
- › Conducted succession planning for the Board, Executive Committee, Business Unit managing directors and project directors
- › Carried out a search for two new non-executive Directors
- › Reviewed progress against the military housing business' response to the independent compliance monitor's initial report and resulting action planning

PRIORITIES FOR 2024:

- › Complete the actions arising from the 2023 Board effectiveness review
- › Provide a comprehensive induction programme for the two new non-executive Directors
- › Review Board balance and composition and conduct Board succession planning with a view to enhancing Board diversity
- › Review Executive Committee succession planning and oversee the continued professional development of a diverse pipeline of candidates
- › Monitor progress against the Value Everyone UK Diversity and Inclusion Action Plan and Parker Review diversity targets
- › Review and prepare for the UK Corporate Governance Code reforms



### BOARD AND COMMITTEE MEETING ATTENDANCE AT SCHEDULED MEETINGS DURING THE YEAR

**KEY** ● Attended Board  
● Attended Committee

DIRECTOR	B BOARD	A AUDIT AND RISK	N NOMINATION	R REMUNERATION	S SAFETY AND SUSTAINABILITY
Charles Allen	●●●●●●●●		●●		
Leo Quinn	●●●●●●●●				●●●
Philip Harrison	●●●●●●●●				
Stephen Billingham	●●●●●●●●	●●●●●●	●●		
Anne Drinkwater	●●●●●●●●			●●●●●	●●●
Stuart Doughty	●●●●●●●●	●●●●●●	●●		●●●
Barbara Moorhouse	●●●●●●●●	●●●●●●	●●	●●●●●	
Michael Lucki	●●●●●●●●	●●●●●●		●●●●●	
Louise Hardy	●●●●●●●●				●●●

### BOARD AND COMMITTEE SCHEDULED MEETINGS DURING THE YEAR

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
	● B	● B		● B		● B	● B	● B		● B	● B
		● A		● A		● A	● A			● A	
	● N									● N	
	● R	● R			● R					● R	
	● S					● S				● S	

### MAJOR BOARD ACTIVITIES THROUGHOUT 2023

FEBRUARY	MARCH	MAY	JULY	AUGUST	NOVEMBER	DECEMBER
Approval of the terms of reference for each of the Board's Committees.	Approval of: <ul style="list-style-type: none"> <li>2023 budget and three-year plan</li> <li>Final dividend</li> <li>Annual Report and Accounts 2022</li> <li>2023 share buyback programme</li> </ul>	Approval of Modern Slavery Statement.	Received and considered the US military housing independent compliance monitor's first report.	Approval of: <ul style="list-style-type: none"> <li>Interim dividend</li> <li>Half-year financial report</li> </ul>	Enhancement of workforce engagement activities and reporting.	Approval of: <ul style="list-style-type: none"> <li>Trading update announcement</li> <li>Initial tranche of 2024 share buyback programme</li> </ul>

### Compliance with the UK Corporate Governance Code

During the year, the Company was subject to the Financial Reporting Council's 2018 UK Corporate Governance Code, which can be found at: [www.frc.org.uk](http://www.frc.org.uk). This report, together with the reports from the Audit and Risk, Nomination, Remuneration, and Safety and Sustainability Committees, provide details of how the Company has applied the spirit of the principles of the Code (pages 117 to 172).

In 2023, the Company complied with all the provisions of the UK Corporate Governance Code.



# Leading with experience

The Directors hold the necessary skills and experience relevant to the sectors in which the Group operates, enabling the Board to effectively set the strategic direction and purpose of the Group and promote its long-term sustainable success



## Key

- I** Independent
- C** Committee Chair
- A** Audit and Risk Committee
- N** Nomination Committee
- R** Remuneration Committee
- S** Safety and Sustainability Committee





**1. CHARLES ALLEN** N  
Non-executive Group Chair

Appointed	Nationality
13 May 2021	British

**Experience**  
Lord Allen has extensive corporate experience across a range of sectors, most notably in support services and media. His previous positions include chair of ISS A/S, executive chair of EMI Music, chief executive of ITV plc, chief executive of Compass Group, chief executive of Granada Group and chief adviser to the British Home Office.

Charles was awarded a CBE in 2002, was knighted in 2012 and was ennobled in 2013.

**Key external appointments**  
Lord Allen sits in the House of Lords and currently holds positions as chair of THG PLC, chair of Global Media and Entertainment Ltd and chair of the Invictus Games Foundation.

**2. LEO QUINN** S  
Group Chief Executive

Appointed	Nationality
1 January 2015	British

**Experience**  
Leo has strong leadership expertise and significant experience of successfully delivering transformation strategies for large multi-national companies. Leo is a civil engineer and began his career at Balfour Beatty. He was educated at Portsmouth University and Imperial College, London, where he completed his MSc in Management Science. Before being appointed as Group Chief Executive of Balfour Beatty, Leo spent five years as group chief executive of QinetiQ Group plc and, prior to that, five years as chief executive officer of De La Rue plc. Before this, he spent almost four years as chief operating officer of Invensys plc's production management business, headquartered in the US, and 16 years with Honeywell Inc. in senior management roles across the UK, Europe, the Middle East and Africa, including global president of H&BC Enterprise Solutions. Leo was previously a non-executive director of Betfair Group plc and Tomkins plc. Leo was also a member of the Build Back Better Business Council in 2021, which brought together government and business leaders to drive economic recovery and growth across the UK.

**Key external appointments**  
Leo is the founder of The 5% Club, a dynamic movement of employers committed to 'earn and learn' as part of building and developing the workforce needed for a socially mobile, prosperous and cohesive nation. In 2021, Leo's contribution to business was recognised through his appointment as a visiting professor at the College of Business and Social Science at Aston University.

**3. PHILIP HARRISON**  
Chief Financial Officer

Appointed	Nationality
1 June 2015	British

**Experience**  
Philip has considerable financial expertise and extensive experience of working in large multi-national manufacturing and services businesses. Philip was appointed as Chief Financial Officer in June 2015, having previously served as group finance director at Hogg Robinson Group plc, and as group finance director at VT Group plc. Prior to that, he was VP finance at Hewlett-Packard (Europe, Middle East and Africa regions) and was a member of its EMEA board.

Philip's earlier career included senior international finance roles at Compaq, Rank Xerox and Texas Instruments. Philip is a fellow of the Chartered Institute of Management Accountants.

**Key external appointments**  
Philip is a non-executive director and chair of the audit committee of Dowlais Group plc.

**4. DR STEPHEN BILLINGHAM CBE** I A N  
Senior Independent Non-executive Director

Appointed	Nationality
1 June 2015	British

**Experience**  
Stephen has significant recent and relevant financial experience and has worked in the construction, infrastructure and support services industries for over 30 years. Stephen was the chief financial officer of British Energy Group plc and the chief financial officer of WS Atkins plc. He was also executive chairman at Punch Taverns plc. He played instrumental roles in the financial and operational transformation of all companies. He was also non-executive chairman of Anglian Water Group and chairman of the Royal Berkshire NHS Foundation Trust. Stephen spent 11 years with Balfour Beatty, when it was BICC plc, in corporate finance and other roles. He is a fellow of the Association of Corporate Treasurers. He was awarded a CBE in 2019 for services to Government owned, public and regulated businesses and awarded an honorary doctorate from Aston University in 2016.

**Key external appointments**  
Stephen is currently non-executive chairman of Urenco Ltd, where he also chaired the Urenco Ltd audit committee from 2009 to 2015.

**5. ANNE DRINKWATER** I R S  
Non-executive Director

Appointed	Nationality
1 December 2018	British

**Experience**  
Anne has significant experience in heavy industry including multiple large capital expenditure projects with infrastructure considerations and knowledge of doing business in the UK and US. She was at BP plc for over 30 years, holding a number of senior strategic and operational roles across multiple jurisdictions including the US, Norway, Indonesia, the Middle East and

Africa culminating in the role of president and CEO of the Canadian business. Anne was previously a non-executive director at Aker Solutions A.S.A. and at UK listed Tullow Oil plc, where she served on a number of board committees. She was previously oil and gas adviser to the Falkland Islands Government.

**Key external appointments**  
Anne is non-executive deputy chair of Equinor A.S.A. where she is also chair of the audit committee and a member of the safety, sustainability and ethics committee.

**6. STUART DOUGHTY CMG** I S A N  
Non-executive Director

Appointed	Nationality
8 April 2015	British

**Experience**  
Stuart has over 50 years' experience in the civil engineering, construction and infrastructure sectors. Stuart was chief executive of Costain Group plc between 2001 and 2005. This followed executive positions in Welsh multi-utility Hyder plc, Alfred McAlpine plc and Tarmac Construction, where he represented the company on the Channel Tunnel board, following 21 years with John Laing Construction. He has also served as a senior non-executive director of Scott Wilson Group plc and chairman of Alstec Ltd, Somero plc and Beck & Pollitzer Limited, and as non-executive director representing AustralianSuper (the largest pension fund in Australia) on the board of King's Cross Development Partnership LLP. He is a chartered engineer and a fellow of both the Institution of Civil Engineers and the Institute of Highway Engineers. Stuart was honoured with a CMG in 2004 and received an honorary doctorate from Aston University in 2018.

**Key external appointments**  
Stuart does not hold any external appointments.

**7. BARBARA MOORHOUSE** I A N R  
Non-executive Director

Appointed	Nationality
1 June 2017	British

**Experience**  
Barbara has extensive leadership experience across the private, public and regulated sectors. She was group finance director at Morgan Sindall plc, regulatory director at South West Water and chief finance officer for two international listed IT companies – Kewill Systems plc and Scala Business Solutions NV. Latterly, she was director general at the Ministry of Justice and the Department for Transport. Her most recent executive appointment was as chief operating officer at Westminster City Council. She is a fellow of the Chartered Institute of Management Accountants and an associate member of the Association of Corporate Treasurers.

**Key external appointments**  
Barbara is independent chair of the Agility Trains Group. Barbara is also senior independent non-executive director and chair of the remuneration committee of Aptitude Software Group plc, and non-executive director and chair of the quality and safety committee at Dwr Cymru/Welsh Water.

**8. MICHAEL LUCKY** I A R  
Non-executive Director

Appointed	Nationality:
1 July 2017	American

**Experience:**  
Michael has over 40 years of business and leadership experience in the US and internationally in the engineering and construction sector. He has held a number of leadership and finance roles, including that of chief financial officer, executive vice president and board member at CH2M HILL. He was formerly an audit partner at Ernst & Young LLP and its global industry leader for infrastructure, construction and engineering practices. He has recently acted as a strategic adviser to companies and private equity firms in the engineering and construction industry.

**Key external appointments:**  
Michael is a board member and chair of the compensation committees of Psomas Corporation, and a board member and chair of the audit and risk committee of Bernards Construction and HMC Architects, Inc. Michael is a member of the board of governors of The California State University Foundation, and a board member of Walker Consultants.

**9. LOUISE HARDY** I S  
Non-executive Director

Appointed	Nationality:
1 April 2022	British

**Experience**  
Louise has over 30 years of business and leadership experience in the construction and built engineering industry. A civil engineer, she has held a range of senior roles at London Underground, Bechtel and Laing O'Rourke and as infrastructure director responsible for the portfolio of projects for the London 2012 Olympic Games. Her most recent executive appointment was European project excellence director for AECOM, where she was responsible for monitoring project performance for a portfolio of 10,000 projects across 15 countries and eight businesses within Europe. Since then, Louise has held a number of non-executive roles in the public sector and FTSE 250. Louise is a Fellow of the Institution of Civil Engineers, the Chartered Management Institute and the Women's Engineering Society. Louise won the European Women in Construction and Engineering, Lifetime Achievement in Construction Award, 2019.

**Key external appointments**  
Louise is currently a non-executive director of Crest Nicholson Holdings plc, Travis Perkins plc and Severfield plc. Louise is also independent chair of Oriol, the joint initiative between Moorfields Eye Hospital, UCL and Moorfields Eye Charity. She is also a keen volunteer within the industry as a STEM Ambassador and Diversity Champion.



### Board activities

Throughout the year the Board met sufficiently frequently to fully discharge its duties. The Board held eight scheduled meetings in the year, as well as ad hoc and Board sub-committee meetings to manage matters arising outside the formal schedule of meetings. Individual attendance at the scheduled meetings can be found on page 119.

The Group Chair sets the Board agendas, with input from the executive Directors and support from the Company Secretary, and ensures the Board receives timely and accurate papers in advance of meetings. The Group Chair ensures there is sufficient time allocated to each agenda item to promote constructive debate and support considered decision making.

The Company Secretary supports the Group Chair in annual agenda planning, ensuring that matters are scheduled for the appropriate meetings based on the business cycle and an even distribution of matters throughout the year.

A schedule of Board activities can be found opposite and further detail on key actions is set out below.

### Strategy

The Board held a US-focused strategy session in July and UK-focused strategy session in November. The Board reviewed the economic and political context in each of the markets and senior leaders across the Group presented on the following matters:

- > market overview and future pipeline of opportunities;
- > operational and financial performance; and
- > key strategic issues and actions, including risks and opportunities.

### Capital allocation

The Board remains committed to delivering strong total cash returns to shareholders, whilst maintaining an appropriate balance of investment in the business. In March 2021, the Board announced a new capital allocation framework, which comprises:

- > continued investment in organic growth opportunities in Infrastructure Investments which meet the Group's return hurdles;
- > active realisation of Investments assets with disposals timed to optimise value for shareholders;
- > a strong but efficient balance sheet which provides the financial platform to make long-term business decisions, in response to both opportunities and periods of market dislocation;



**The Group Chair ensures there is sufficient time allocated to each agenda item to promote constructive debate and support decision making.”**

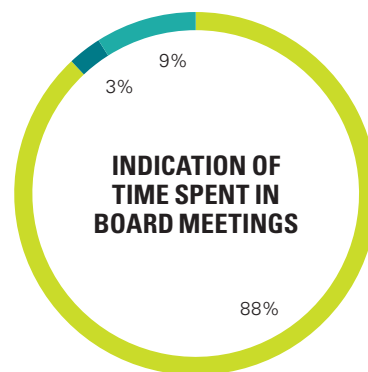
- > commitment to paying a sustainable ordinary dividend, targeted at a pay-out ratio of 40% of underlying profit after tax (excluding gain on disposal of Investments assets), with the Board expecting dividends to grow over time with underlying profit; and
- > additional cash returns via share buybacks (or other mechanisms depending on market conditions) broadly based on surplus cash delivered from Investments disposals as well as surplus operating cash flows.

During the year the Board reviewed the capital allocation framework and considered that it remained appropriate.

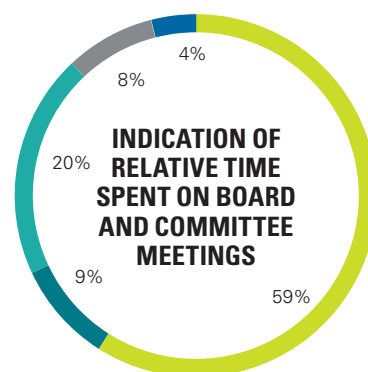
### Share buyback

Following Board authorisation, the Company launched an initial £50 million tranche of its 2023 share buyback programme on 3 January 2023. The Board increased this programme by £100 million to a maximum value of £150 million following the announcement of the Company's 2022 full year results. As part of the 2023 program, the Company purchased 43,286,805 ordinary shares for a total consideration of £150 million. The 2023 buyback programme was part of the Company's capital allocation framework which includes making additional cash returns to shareholders based on surplus cash delivered from Investments disposals as well as surplus operating cash flows. On 2 January 2024, the Board announced the initial tranche of its share buyback programme for 2024 at a level of £50 million.

### HOW THE BOARD SPENT ITS TIME DURING 2023



- Strategy, performance and operations
- Reviewing matters discussed at Committee meetings
- Governance and other matters



- Board
- Remuneration Committee
- Audit and Risk Committee
- Safety and Sustainability Committee
- Nomination Committee

The share buyback programme was adopted in order to increase earnings per share, as fewer shares will be in circulation and shareholders will have a greater stake in the Company's profits. Further details on the 2023 share buyback programme can be found in the Directors' report on pages 169 and 170.

### Artificial intelligence (AI)

During the year, the Board received an update on how AI can be utilised in the business in areas including resourcing and health and safety. Balfour Beatty prides itself on its innovative approach to its industry and sector and will continue to explore opportunities technology may provide.



## BOARD ACTIVITIES IN 2023

	LINK TO VALUES	LINK TO PRINCIPAL RISKS	STAKEHOLDERS CONSIDERED
	See pages 26 to 27 for more information	See pages 96 to 103 for more information	
<b>PERFORMANCE</b>			
<ul style="list-style-type: none"> <li>› Reviewed routine reports from the executive Directors on performance</li> <li>› Reviewed Group strategy and approved the Group's budget</li> <li>› Approved the Company's Annual Report and Accounts, financial results, trading updates and ancillary documents relating to the Annual General Meeting, including the Notice of Meeting</li> <li>› Reviewed the capital allocation framework and its application</li> <li>› Approved matters where required in accordance with the matters reserved for the Board</li> <li>› Received 'deep dive' presentations and reports on significant matters, key contracts and projects</li> <li>› Received updates on control improvements at the US military housing business</li> <li>› Reviewed reports from the Group's brokers</li> </ul>	<b>LEAN</b> <b>EXPERT</b>		<ul style="list-style-type: none"> <li>› Shareholders</li> <li>› Customers</li> <li>› Suppliers</li> <li>› Partners</li> <li>› Communities</li> <li>› Employees</li> </ul>
<b>HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY</b>			
<ul style="list-style-type: none"> <li>› Received verbal updates from the Safety and Sustainability Committee following each Committee meeting</li> <li>› Received routine Group health, safety, environment and sustainability reports where a Safety and Sustainability Committee meeting was not scheduled in the same cycle of meetings</li> <li>› Reviewed the Group's strategies, policies and procedures in relation to safety</li> <li>› Reviewed the environmental impact and sustainability of the Group's operations, and the strategies and policies of the Group</li> </ul>	<b>LEAN</b> <b>SAFE</b> <b>SUSTAINABLE</b>		<ul style="list-style-type: none"> <li>› Shareholders</li> <li>› Employees</li> <li>› Partners</li> <li>› Communities</li> </ul>
<b>AUDIT AND RISK</b>			
<ul style="list-style-type: none"> <li>› Received verbal updates from the Audit and Risk Committee following each Committee meeting</li> <li>› Received reports on financial and accounting issues and contract and commercial issues</li> <li>› Approved the going concern statement and assessment of viability, the Directors' valuation of the Investments portfolio and principal and emerging risks</li> <li>› Approved recommendations from the Audit and Risk Committee relating to the fee and appointment of the external auditor</li> <li>› Received reports from the external auditor in respect of full and half year results</li> <li>› Reviewed and monitored the Group's risk profile, including a robust review of principal and emerging risks</li> <li>› Reviewed the effectiveness of the systems of risk management and internal control</li> </ul>	<b>LEAN</b> <b>TRUSTED</b>		<ul style="list-style-type: none"> <li>› Shareholders</li> <li>› Employees</li> <li>› Suppliers</li> </ul>
<b>CULTURE</b>			
<ul style="list-style-type: none"> <li>› Monitored the Company's purpose, values and behaviours</li> <li>› Monitored engagement with key stakeholder groups and reviewed the effectiveness of stakeholder engagement mechanisms</li> <li>› Received reports from the Directors on workforce engagement activity, as well as management information on workforce matters, including analyses of employee survey results and insights derived from the Stakeholder Voice initiative</li> <li>› Received biannual updates on business integrity including reports on Speak Up, the Group's whistleblowing service</li> <li>› Received updates from the Group's Affinity Networks and individuals participating in the reverse mentoring programme</li> <li>› Approved the Group's 2023 Modern Slavery Statement</li> </ul>	<b>TRUSTED</b> <b>SAFE</b>		<ul style="list-style-type: none"> <li>› Employees</li> <li>› Communities</li> <li>› Partners</li> <li>› Investors</li> </ul>
<b>PEOPLE</b>			
<ul style="list-style-type: none"> <li>› Reviewed the effectiveness of the Board's approach to workforce engagement activities and reporting</li> <li>› Received verbal updates from the Remuneration Committee following each Committee meeting</li> <li>› Received updates and supported workforce diversity and inclusion initiatives</li> <li>› Received an annual update on pensions</li> </ul>	<b>EXPERT</b> <b>TRUSTED</b> <b>SUSTAINABLE</b>		<ul style="list-style-type: none"> <li>› Employees</li> <li>› Communities</li> <li>› Shareholders</li> </ul>
<b>GOVERNANCE</b>			
<ul style="list-style-type: none"> <li>› Conducted an internal evaluation of the performance and effectiveness of the Board, its main Committees and individual Directors</li> <li>› Identified two new non-executive Directors who joined the Board in March 2024</li> <li>› Senior Independent non-executive Director and Committee Chair succession planning</li> <li>› Conducted succession planning for the Executive Committee to support the development of a diverse pipeline of candidates</li> <li>› Reviewed conflicts of interest of the Directors</li> <li>› Reviewed the formal matters reserved for the Board and terms of reference for each of the Board Committees</li> <li>› Convened sub-committees of the Board where necessary to deal with specific matters</li> <li>› Updated the Board Diversity and Inclusion Policy</li> <li>› Considerations relating to the new Listing Rules on Diversity and Inclusion</li> </ul>	<b>TRUSTED</b>		<ul style="list-style-type: none"> <li>› Customers</li> <li>› Employees</li> <li>› Shareholders</li> <li>› Partners</li> <li>› Suppliers</li> </ul>



**WHISTLEBLOWING**

**Action taken**

The Audit and Risk Committee and the wider Board review whistleblowing statistics, as well as details of any serious cases raised through the Speak Up helpline and the progress of related investigations

**Link to culture**

- › Speak Up reports provide the Board with a view of the nature of employee concerns and trends in behaviours of the workforce

**INTERNAL AUDIT**

**Action taken**

The Audit and Risk Committee reviewed details of the outcomes of internal audits judged to be less than satisfactory (with details available to all Board members)

**Link to culture**

- › Provides the Board with a direct view of areas of practice, policy and behaviours that were not at the desired standard and provides details of the corrective action being taken

**SAFETY MANAGEMENT INFORMATION**

**Action taken**

The Safety and Sustainability Committee receives management information to monitor safety culture across the Group. This includes insights derived from:

- › Statistics and trends of lost time injury rates
- › Metrics on safety observations reported by employees
- › Analysis of employee survey data

**Link to culture**

- › Enables the Directors to assess the effectiveness of safety practices and behaviours
- › Facilitates further insight into safety behaviours by evidencing the extent of individual responsibility taken by employees with regard to proactively reporting safety concerns

**WORKFORCE ENGAGEMENT**

**Action taken**

The Board undertakes a number of site visits, participate in employee events, and meet with employee networks and Directors and provide feedback to the full Board following each engagement activity to share the knowledge gained

**Link to culture**

- › Provides the Board with direct insights into working environments, workforce attitudes, behaviours and practices, and the practical application of policies and standards on the ground
- › Sharing experiences of site visits and discussing these as a Board assisted in creating a broader exposure for each Director than would otherwise be possible due to the range and scale of the Group's operations across different sectors and geographies

**EMPLOYEE MANAGEMENT INFORMATION**

**Action taken**

The Board annually reviews the results of the employee engagement survey

**Link to culture**

- › Analysis of employee survey data enables the Board to understand the employee experience. This provides the Board with insights into working environments, employee behaviours and attitudes, as well as the workforce's understanding of the Group's culture
- › Enables the Board to assess how working practices and behaviours align with the purpose, values and strategy of the Group

**MODERN SLAVERY**

**Action taken**

The Board reviewed and approved the Group's Modern Slavery Statement

**Link to culture**

- › Provides the Board with a broad understanding of practices and behaviours across the Group, and how these align with the purpose, values and strategy of the Group
- › Provides oversight of steps taken to prevent modern slavery and human trafficking within the Group and its supply chain





# Stakeholder engagement

**The Board ensures that a balanced view of stakeholder needs and interests are taken into consideration and embedded within Board discussions and decision making.**

## Report of the Board's Workforce Engagement Lead

I am pleased to present my report in my capacity as the Board's Workforce Engagement Lead.

The Board designs the framework within which stakeholder engagement takes place, and shapes how relationships with key stakeholders are developed and maintained. The Board is fully cognisant of the importance of maintaining an ongoing interactive dialogue with key stakeholders, understanding that this is crucial to support well-informed and high-quality decision making that creates value for all stakeholders and promotes the long-term sustainable success of the Group.

The Board undertakes engagement initiatives throughout the year in order to understand the interests of the Group's key stakeholders, specifically its customers, workforce, supply chain and strategic partners, communities, governments and investors. The Board takes a balanced view of the complementary and divergent interests in discussions and decision making. The Board on its own, however, cannot engage meaningfully with every single stakeholder. To address this, stakeholder engagement is supplemented by a network of mature executive and business-led stakeholder relationships across the Group. Feedback on wider stakeholder engagement is reported to the Board to support effective decision making and a timely recognition of emerging stakeholder issues.

### Workforce

The Board recognises that the workforce is the Group's most valuable resource and is pivotal to building its long-term sustainable success. The Board is therefore committed to constructive two-way dialogue with the workforce to enable a better reflection of their interests in future strategic decisions.

To ensure Balfour Beatty is an employer of choice, operating effectively, and creating a working environment where all employees feel safe, valued, and are given the tools to succeed and develop throughout their careers, the Board must listen and engage meaningfully with employees.

Following a review of Board-led workforce engagement mechanisms, I was appointed as the Group's Workforce Engagement Lead in 2022. I am tasked with establishing and shaping the Group workforce engagement strategy and reporting to the Board on outcomes and insights. Further details of the workforce strategy can be found on pages 126 and 127. My responsibilities as the Board's Workforce Engagement Lead are set out on page 131.

In 2023, I met with some of the UK's Affinity Networks to understand their experiences of working life at Balfour Beatty, what could be done to enhance their experience, and what approach to engagement was needed to enhance communications and develop an efficient two-way feedback loop between the workforce and the Board.

During 2023 actions were taken to enhance workforce engagement. All engagement activities are recorded centrally and reported to the Board periodically to ensure balanced coverage across the Group's Business Units and key employee types are identified through the output of the employee engagement survey. Key findings from the engagement activities are also discussed to ensure that any lessons learned can be applied, any further engagement activities are organised and any relevant actions are taken to address the key findings. Further enhancements will be made in 2024.

**Louise Hardy**  
Workforce Engagement Lead  
12 March 2024



**The Board is committed to constructive two-way dialogue with the workforce to enable a better reflection of their interests in future strategic decisions."**





## Stakeholder engagement continued

### Balfour Beatty HS2 visit – recognising exceptional contribution

In September 2023, the Board invited Balfour Beatty colleagues from the HS2 joint venture to attend an event recognising their exceptional contribution to the Group through the excellent work being undertaken, both on Area North and Old Oak Common station.

The event presented an opportunity for the workforce to network directly with the Board, the Executive Committee, and other colleagues whose contributions were being recognised. The event was organised in such a way as to ensure the Board had an opportunity to speak to a broad range of colleagues during the evening and obtain first-hand perspectives on a variety of matters. The feedback from the workforce on the evening was very upbeat with several colleagues feeling very positive about the opportunity to meet with the Board. The following day, the Board visited with a number of HS2 Area North Sites.



**Great networking event in which I was able to engage with the most senior business leaders and discuss their views on the future of infrastructure construction in the UK and worldwide.”**

**Oliver Shore**  
Construction Director, Balfour Beatty



**It was a very pleasant evening which allowed us to get to know our senior management, tap into their vast experience and better understand the key opportunities and challenges of our business and industry. I would like to thank them for the opportunity and insights they provided.”**

**Tamta Kutateladze**  
Environmental Manager, Balfour Beatty



### Workforce engagement strategy

The Board approved Louise’s recommendations to shape the workforce engagement strategy, specifically:

- › **The scope:** Initially the engagement strategy will focus on the US and UK, with the strategy to be extended to also cover the Gammon business in Hong Kong once the UK and US programmes have been embedded.
- › **Topics of engagement:** Topics of engagement will be identified each year for Board approval and will be informed by engagement surveys and various engagement activities, supported by particular areas of management focus.
- › **Targeted engagement:** The Workforce Engagement Lead will conduct ongoing analysis of the employee base to identify which groups of employees should be engaged for a good cross-representation of the Group.
- › **Wider Board engagement:** With the support and direction of the Workforce Engagement Lead, the wider Board will continue to conduct workforce engagement initiatives, for example through training workshops, talent activities, site visits, town halls and contract award meetings. Non-executive Directors will continue to ensure they devote sufficient time to engage meaningfully with employees, especially those from underrepresented groups.



**It was a pleasure to visit HS2 Area North and recognise the exceptional contributions of our colleagues whilst hearing their experiences first hand.”**

**Leo Quinn**  
Group Chief Executive

- › **Board reporting:** The Board will be updated at least biannually on workforce engagement, specifically to set out the focused topics of engagement, the proposed programme of engagement activities, and a thematic analysis of the findings. Furthermore, each Director will be required to report on the outcomes of their workforce engagement activities at each Board meeting.
- › **Effectiveness review:** The Board will evaluate the effectiveness of workforce engagement on an annual basis, predominantly by:
  - » assessing the outcomes of engagement activities undertaken;
  - » data analysis of employee survey results and other KPIs on workforce engagement experience; and
  - » reviewing feedback from the workforce on the Board's approach to engagement.

### Key workforce engagement actions taken in 2023

During 2023, the Board carried out a full schedule of site visits and in-person engagement activities with an array of employees across the business units and geographies in the Group. The Group Chair and the non-executive Directors undertook a total of 57 site visits collectively. These visits provided invaluable opportunities for the Board to gain insights into ongoing projects across the business, engage directly with the workforce, and deepen the Directors' understanding of the culture and diversity within the organisation. Moreover, they were provided a first-hand opportunity to engage in discussions regarding the challenges and opportunities faced by the workforce, while also enabling conversations on project safety protocols and controls.

The Directors visited a number of sites across the UK including HS2 Old Oak Common station, Lewisham Gateway, HS2 Curzon Street Station, Bromford Tunnel, Edinburgh Airport, Royal Botanic Garden Edinburgh, Thames Tideway and the Midland Metropolitan University Hospital.

During the Board's visit to the US in July, Directors had the opportunity to meet a large number of employees, including:

- › The Balfour Beatty Communities team at Fort Carson US Army Garrison. The visit gave the Board the opportunity to meet employees at all levels across Fort Carson in addition to meeting residents and getting feedback from the site Commander on the company's performance. The visit gave the Board the opportunity to see the positive effects of the We Care initiative and the hard work that colleagues are undertaking to implement the improvements that have been identified in the independent compliance monitor's first report; and

- › the US Civils team on the Denver Transit Operators Contract in Colorado, where the Board met and engaged with members of staff and representatives of our joint venture partner.

In March 2023, members of the Board visited Hong Kong, where Gammon, the Group's 50:50 joint venture with Jardine Matheson, is based. They visited the Hong Kong International Airport, Caroline Hill and Kai Tak West sites and met many Gammon colleagues as well as representatives of Jardine, and Gammon's customers.

Following engagement activities, Board members report on their findings to the rest of the Board. Whilst undertaking engagement activities, they discuss and gather feedback on topics such as:

- › health and safety;
- › environment and sustainability;
- › diversity and inclusion;
- › leadership and engagement;
- › culture and morale;
- › resources and personal development;
- › understanding of Group strategy, values and behaviours; and
- › Directors' remuneration, and its alignment with workforce remuneration.

In addition to first-hand engagement, the Board obtains feedback across the breadth of the employee population through both the employee survey and the Stakeholder Voice initiative.

Both engagement tools continue to provide insightful data on workforce views and experiences. Reporting on key performance indicators such as voluntary attrition rates, safety observations, engagement, and participation rates for My Contribution (Balfour Beatty's employee-led change programme), all help to build a strong picture of life as a Balfour Beatty employee and support robust and considered Board decision making that creates value for our workforce.



**The Board visited Fort Carson in the US where it had the opportunity to meet the site Commander and a broad spectrum of employees working in the Military Housing business to see in practice the positive effects of the We Care cultural transformation programme"**

**Charles Allen**  
Non-executive Group Chair



## Stakeholder engagement continued

### Investors

Investors play a valuable role in the corporate governance of the Company. The Board is committed to maintaining an open dialogue with its investors, which is achieved through a programme of structured engagement, including visits to key project sites and facilities. A selection of investor events that took place in the year can be found within the investor calendar on the facing page.

#### Institutional investors

The Group Chair, Group Chief Executive, and Chief Financial Officer held meetings with individual institutional investors throughout 2023. The Remuneration Committee Chair also held meetings with institutional investors as part of the remuneration policy consultation exercise. In addition, the executive Directors conducted analyst presentations following the announcements of the Group's financial results and they also carried out an investor site visit to Old Oak Common station in November.

Either on request by investors or at Company presentations and one-to-one meetings, Committee Chairs will engage with investors on matters specific to the remit of their respective Committees. The Senior Independent non-executive Director is also available to shareholders as a separate channel to report any other views or concerns. In addition,

management engages with proxy advisory firms to support them in their reporting to their members. The outcomes of engagement activities are reported back to the full Board.

The Board receives biannual reports from the Head of Investor Relations summarising analyst research briefings and changes to institutional shareholdings, as well as ad hoc reports on share price movements.

Engaging directly with shareholders is integral to effective Board decision making that promotes shareholder and wider stakeholder value. It provides an opportunity for candour, insight, and the means to build relationships with key shareholders. The Board concluded that the key benefits arising from its direct shareholder engagement initiatives held throughout the year included the opportunity to:

- build transparency and trust;
- provide greater clarity over Board decisions and the decision-making process;
- showcase the Board's skills, experience, and diversity, enabling shareholders to assess the composition and effectiveness of the Board as a decision-making unit; and
- enhance the Board's self-awareness and understanding of shareholder expectations.

### Considerations following the 2023 AGM

Comments from shareholders at, or in relation to, the AGM are considered by the Board, and where relevant, its Committees. Following the 2023 AGM, feedback from shareholders focused on the following key points:

- The Remuneration Policy received 81.11% votes in favour and 18.89% votes against. On the lead-up to the 2023 AGM, the Chair of the Remuneration Committee engaged with institutional shareholders and the Remuneration Committee incorporated changes to the Remuneration Policy following feedback to ensure alignment with shareholders. One institutional shareholder did not raise any concerns during the consultation process and whilst apparently supporting the Remuneration Policy, they voted against it, which resulted in a higher number of votes against the approval of the policy. The Remuneration Committee Chair engaged with this shareholder following the 2023 AGM to understand why their votes were cast against the policy despite concerns not having been raised during the consultation process.



“Investors play a valuable role in the corporate governance of the Company. The Board is committed to maintaining an open dialogue with its investors.”



› The re-election of the Group Chair received 83.61% votes in favour and 16.39% votes against. The Group acknowledges shareholders' calls for a more diverse Board and has taken steps during 2023 to make progress on Board succession planning. Following the AGM on 9 May 2024, the Company will be compliant with the Board gender diversity recommendations set out in the FTSE Women Leaders Review with 44.4% female representation on the Board and Anne Drinkwater appointed as Senior Independent non-executive Director. When carrying out the recruitment of the two new non-executive Directors, the short-list in both cases was diverse in terms of gender and ethnicity. For future recruitment activities, the Board will ensure a suitably diverse list of candidates is considered to ensure that progress is made against the diversity targets set out in the updated Board Diversity and Inclusion Policy.

## Approach to shareholder engagement

### Retail investors

The Company's website provides access to full year and half year results information in addition to a plethora of information on the Company including in relation to the Group's operations, governance, health and safety,

and sustainability so that retail investors can keep equally as informed as institutional investors. Retail investors are also encouraged to raise any questions or queries they may have with the Company Secretary, who will arrange for an appropriate response to be provided.

Investors are consulted on an ongoing basis to ensure that the Group has a full and clear understanding of their views.

### Annual General Meeting (AGM)

The AGM provides an opportunity for investors to engage directly with the Board in person.

### Corporate website

The Company's website has a section dedicated to investors where a range of valuable information can be found, including:

- › published Annual Reports and results announcements;
- › a financial calendar of events;
- › details on the Company's corporate governance arrangements;
- › Board and Executive Committee member profiles;
- › the Group's sustainability strategy, Building New Futures; and
- › regulatory announcements.

“  
Investors are consulted on an ongoing basis to ensure that the Group has a full and clear understanding of their views.”

## CALENDAR OF SHAREHOLDER EVENTS

### March 2023

- › Full year results presentation
- › London roadshow
- › Jefferies Pan-European Mid-Cap Conference

### April 2023

- › Annual Report and Accounts published
- › US roadshow

### May 2023

- › Annual General Meeting
- › Trading update
- › UBS Pan-European Small and Mid-Cap Conference
- › HSBC UK Corporate & Investor Conference

### June 2023

- › Private client fund manager roadshow – Leeds and York

### August 2023

- › Half year results presentation

### September 2023

- › UK roadshow
- › US virtual roadshow
- › Liberum fire side chat
- › Numis CEO dinner
- › Numis institutional lunch

### November 2023

- › Private client fund manager roadshow – London
- › Investec best ideas conference
- › UK private client virtual roadshow
- › Investor site visit to Old Oak Common station
- › Bank of America European Materials Conference

### December 2023

- › Trading update



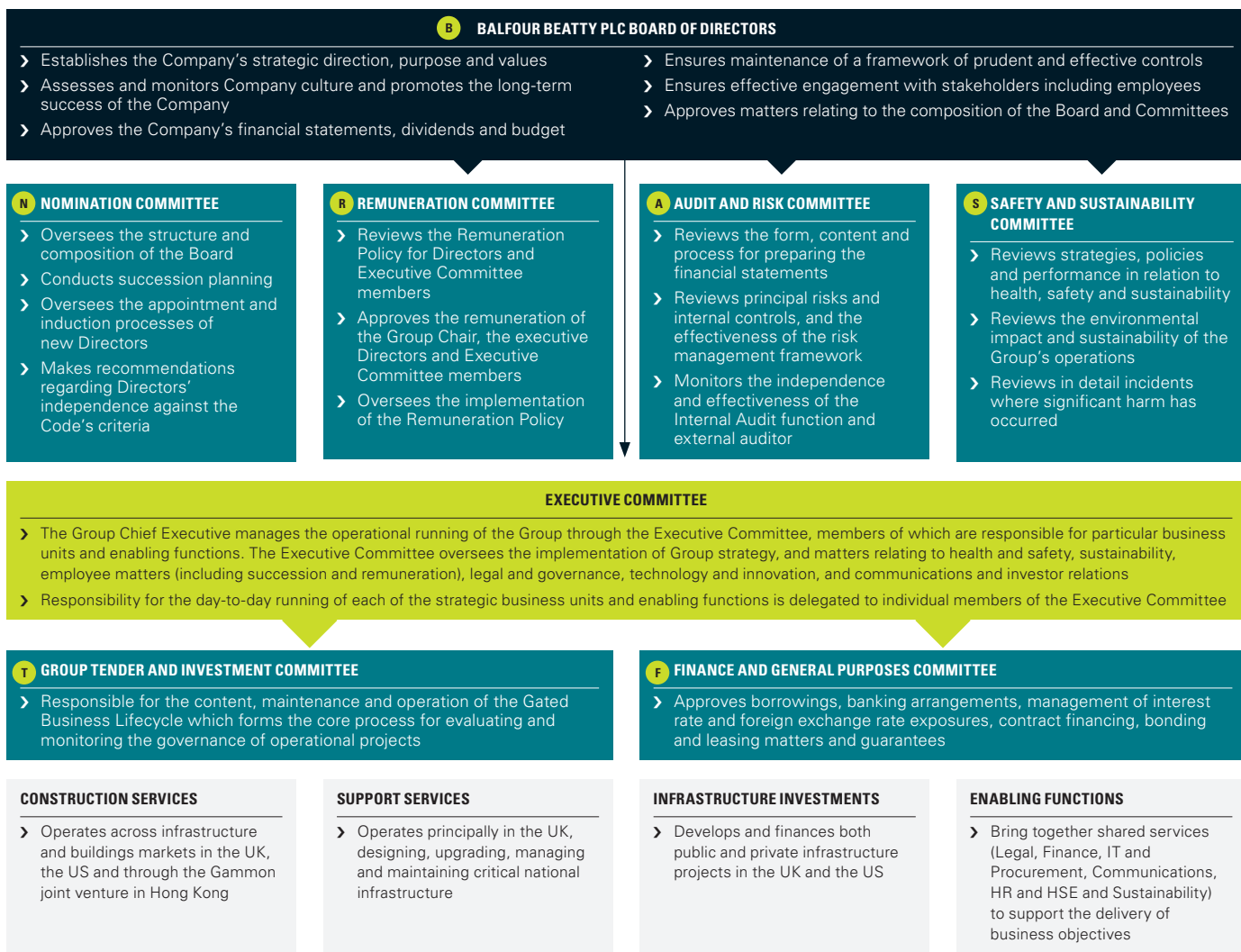
# A robust governance framework

In accordance with Principle A of the UK Corporate Governance Code, the primary role of the Board is to effectively lead the Group by promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The Board is the principal decision-making body of the Company, with authority for specific matters being delegated to Committees of the Board. Responsibility for the day-to-day operation of the Group is formally delegated by the Board to the Group Chief Executive who

manages the operational running of the business through the Executive Committee. The members of the Executive Committee each have responsibility for particular business units and enabling functions, with authority being further delegated to appropriate individuals throughout the Group based on their role and seniority.

The framework set out below provides a high-level summary of the Group's governance framework, illustrating the flow of authority as it is delegated throughout the Group.





This section sets out the defined roles and responsibilities of Board members and outlines the support the Directors receive to assist them in discharging their duties in accordance with the Companies Act, and their responsibilities under the UK Corporate Governance Code.

## Leadership

**GROUP CHAIR**

- › Leads the Board and demonstrates objective judgement
- › Encourages high standards of corporate governance
- › Sets the Board agenda and drives Board effectiveness
- › Promotes a culture of constructive debate, mutual respect and openness
- › Ensures that Directors receive accurate, timely and clear information
- › Leads shareholder and wider stakeholder engagement

**GROUP CHIEF EXECUTIVE**

- › Responsible for the day-to-day management of the Group and the Group's performance
- › Leads the Group
- › Enables planning and execution of the Company's strategy, purpose and values set by the Board
- › Drives the cultural tone of the Group
- › Ensures the Board is kept abreast of the views of the workforce, and any divergent views amongst members of the Executive Committee

## Oversight

**NON-EXECUTIVE DIRECTORS**

- › Oversee the Company's strategy and provide strategic guidance and expert advice to management
- › Monitor Group performance against objectives, and hold management to account
- › Review management proposals
- › Provide effective and constructive challenge to management
- › Serve on Board Committees which are responsible for specified governance roles

**SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR**

- › Acts as sounding board for the Group Chair
- › Assumes the role of intermediary for the Group Chief Executive, non-executive Directors and shareholders as required
- › Leads the review of the Group Chair's performance
- › Chairs the Nomination Committee when the Group Chair's succession is considered
- › Available to meet with shareholders

**WORKFORCE ENGAGEMENT LEAD**

- › Oversees and monitors the workforce engagement strategy and provide biannual updates to the Board
- › Identifies topics of engagement for Board approval
- › Conducts ongoing analysis of the employee base to identify which groups should be engaged with for a good cross-representation
- › Supports and provides direction to the Board on workforce engagement activities
- › Provides opportunity for two-way feedback from the workforce

**NON-EXECUTIVE DIRECTOR MEETINGS**

The non-executive Directors, led by the Group Chair, hold regular scheduled meetings without the executive Directors present prior to or following Board meetings. The non-executive Directors meet annually, led by the Senior Independent non-executive Director and without the Group Chair present, as part of the Board effectiveness review to discuss the Group Chair's performance.

## Governance

**COMPANY SECRETARY**

The Board is supported by the Company Secretary who, in accordance with Principle I of the 2018 UK Corporate Governance Code, ensures that the Board is able to function effectively and efficiently, and is available to all Directors, maintaining dialogue with each of them on an individual basis.

In addition to providing logistical support for Board and Committee meetings, the Company Secretary is responsible for advising the Board on all governance matters, supporting the annual Board effectiveness review, managing policies and processes related to the Board, supporting induction and ongoing training and development of the Directors, and ensuring that the Directors receive information in a timely manner.

**Role of the Board**

The role of the Board is to be effective and entrepreneurial and to promote the long-term sustainable success of the Company, whilst having regard to the interests of stakeholders and ensuring high standards of business conduct. Each Director has a defined role with individual duties; with a clear division of responsibilities, particularly between the Group Chair (leadership of the Board) and the Group Chief Executive (leadership of the Company's business). The balance of responsibilities at Board level set out above supports a balanced approach to decision making, ensuring that no one individual has unfettered powers.

basis, each Director declares their external appointments and commitments to the Board as part of the conflicts of interest declaration. Any additional external appointments are subject to Board approval in order to mitigate the risk of overboarding and ensure they do not impact the capacity of Directors to discharge their duties. The Directors' significant commitments are set out in their biographies on page 121. The Group Chief Executive does not hold any non-executive board positions at a listed company. The Chief Finance Officer is a non-executive director and chair of the audit committee of Dowlais Group plc, which the Board approved in January 2023.

**Time commitment of Directors**

The Board recognises the importance of individual members having sufficient time to discharge their duties effectively. On an annual

The Board did not approve any other external board appointments in the year.



### Corporate governance framework

The Company's governance framework operates to support the delivery of its strategy by ensuring that business is conducted within a framework of robust principles and procedures and in an orderly fashion.

The Company has a premium listing on the London Stock Exchange and is therefore subject to The UK Corporate Governance Code. A copy of the Code can be found on the FRC's website at: [www.frc.org.uk](http://www.frc.org.uk).

The Company's compliance with the Code is set out on page 119.

### The Board

The role of the Board is summarised on page 130. Principally, the Board establishes the strategic direction of the Group and assesses the basis upon which the Company sustainably generates and preserves value over the long term. The Board also sets and monitors culture and leads by example to set the right cultural tone from the top as to how the Company will achieve its strategic goals and purpose.

The Group's governance framework is designed to facilitate effective, resilient and prudent management of the business, which helps to ensure that the Board's decision making is considered, long term in its nature, and takes into account the desirability of maintaining high standards of business conduct and the need to act fairly between members.

One of the primary responsibilities of the Board is to ensure that the Company preserves value over the long term in a sustainable manner, taking into consideration both value derived for the Company's stakeholders and the Company's contribution to wider society. In setting, monitoring and delivering the Group's Build to Last strategy, and its drive towards the targets and ambitions outlined in the Building New Futures sustainability strategy, the Board ensures that risks and opportunities facing the Group are identified and, where appropriate, mitigated appropriately.

The primary responsibilities of the Board are set out in the Matters Reserved for the Board, available on the Company's website.

Key responsibilities include:

- setting Group strategy and ensuring resources are in place to meet objectives;
- setting Group performance objectives and monitoring performance;
- significant corporate activities;
- approval of the annual Group budget;
- risk management and internal control;
- Board, Executive Committee and Company Secretary appointments and succession;

- approval of the annual accounts and financial reports to shareholders;
- setting the capital allocation framework and share capital structure;
- approval of significant bids and contracts;
- review of the pipeline of significant projects;
- engagement with shareholders, employees and wider stakeholders; and
- reviewing and monitoring the Group's culture and its alignment with Group purpose, values and strategy.

### Board and Committee meetings

In order to discharge its responsibilities, the Board held eight scheduled meetings throughout 2023. Details of attendance by Board members at scheduled meetings can be found on page 119.

The Group Chair sets a structured agenda for each Board meeting in consultation with the Group Chief Executive and Company Secretary. Capacity is maintained on the agenda for each meeting to allow for the timely consideration of matters as they arise during the year. The Group Chair seeks a consensus at Board meetings, but, if necessary, decisions are taken by majority. If any Director has concerns on any issues that cannot be resolved, such concerns are noted in the Board minutes. No such concerns arose in 2023.

The key activities of the Board in 2023 are detailed on pages 122 and 123. These activities are discussed under the value pillars of Lean, Expert, Trusted, Safe and Sustainable which underpin the Board's decision-making process.

As referenced above, the Board has a formal schedule of matters reserved for its decision making and has delegated certain responsibilities to Board Committees, each with separate terms of reference. There are four main Board Committees: Audit and Risk, Nomination, Remuneration, and Safety and Sustainability. The principal activities of each Committee during the year are set out in the Committee reports on pages 138, 142, 145, and 152.

The Group Chair encourages all Directors to attend all Committee meetings, with the exception of instances where there is a conflict of interest, for example where an individual's performance or remuneration is being considered. Additional attendees are invited to attend Board and Committee meetings at the discretion of the relevant Chair.

The Executive Committee is managed by the Group Chief Executive, and included the Chief Financial Officer and nine further senior Group executives at 31 December 2023.

The primary responsibilities of the Executive Committee include:

- developing Group strategy to recommend to the Board for approval;
- ensuring Group, regional and functional strategies and resources are effective and aligned;
- monitoring Group operating performance;
- managing the enabling functions;
- overseeing the management and development of Group talent;
- monitoring communication to Group employees and external stakeholders; and
- matters relating to health and safety, sustainability and employees.

### Risk and internal control

#### Risk management

The Board is responsible for undertaking a robust assessment of the principal risks facing the Group, as described on pages 96 to 103 of the Strategic report and ensuring that appropriate mitigating actions are in place to manage them. This includes those risks that would threaten the Group's business model, future performance, solvency and liquidity.

The Group's approach to risk management, described in more detail on pages 91 to 103, ensures that the most significant risks to the Group's objectives are identified, assessed and managed on an ongoing basis.

The Business Management System (BMS), which forms the basis of the Group's internal control framework, contains all policies, procedures and controls. BMS is regularly updated to reflect the output and effectiveness of risk and assurance activity to ensure that there is continuous improvement to the control environment.

#### Internal control

The Board has overall responsibility for the Group's systems of risk management and internal control and regularly reviews their effectiveness. In accordance with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Audit and Risk Committee has undertaken this review throughout the financial year. Further details can be found on page 151 of the Audit and Risk Committee report.





The Group uses the ERM framework across the business to ensure consistency in application of risk systems and controls and that exposure to significant risks is managed effectively. The Board is cognisant of the fact that such a system can only manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has an independent Internal Audit function which undertakes an annual programme of risk-based audits across all of the Group's operations. All audit reports are shared with the relevant business unit management who are accountable for implementing appropriate measures to address any risks or control weaknesses.

The results of all internal audit activity are also shared with the Group Chief Executive, Chief Financial Officer, external auditor and scrutinised by the Audit and Risk Committee on a regular basis. Further details can be found on pages 145 to 151 of the Audit and Risk Committee report.

## RISK MANAGEMENT: RESPONSIBILITIES AND ACTIONS

RESPONSIBILITIES	ACTIONS UNDERTAKEN
<b>BOARD</b>	
<ul style="list-style-type: none"> <li>› Establishment of a framework of prudent and effective controls to enable risk to be assessed, monitored and mitigated</li> <li>› Determine Group appetite for and attitude to risk in pursuit of its strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>› Reviewed the Group's risk landscape profile, principal and emerging risks, and required responses</li> <li>› Reviewed the effectiveness of the Group's whistleblowing (Speak Up) processes and procedures, and other channels for raising concerns about Code of Ethics breaches</li> </ul>
<b>AUDIT AND RISK COMMITTEE</b>	
<ul style="list-style-type: none"> <li>› Review significant accounting judgements</li> <li>› Review the effectiveness of Group internal controls, including systems to identify assess, manage and monitor risks</li> <li>› Review and assess the effectiveness of the Internal Audit function, and the Internal Audit workplan</li> </ul>	<ul style="list-style-type: none"> <li>› Received regular reports on internal and external audit and other assurance activities</li> <li>› Reviewed the effectiveness of Group risk management and internal control systems</li> </ul>
<b>SAFETY AND SUSTAINABILITY COMMITTEE</b>	
<ul style="list-style-type: none"> <li>› Review main risks in relation to safety, the environment, and the Group's overall sustainability</li> </ul>	<ul style="list-style-type: none"> <li>› Received regular reports on risks in relation to safety</li> <li>› Received regular risk reports on matters impacting the environment</li> </ul>
<b>GROUP TENDER AND INVESTMENT COMMITTEE</b>	
<ul style="list-style-type: none"> <li>› Review and approve tenders and investments, triggered by certain financial thresholds or other risk factors</li> </ul>	<ul style="list-style-type: none"> <li>› Critically appraised significant tender and investment/divestment proposals, with a specific focus on risk</li> </ul>
<b>GROUP MANAGEMENT</b>	
<ul style="list-style-type: none"> <li>› Strategic leadership</li> <li>› Review and implementation of the Group risk management policy</li> <li>› Ensure appropriate actions are taken to manage strategic risks and other key risks</li> </ul>	<ul style="list-style-type: none"> <li>› Reviewed the strategic plan and annual budget process</li> <li>› Produced and monitored Group risk register</li> <li>› Reviewed risk management and assurance activities and processes</li> <li>› Monthly/quarterly finance and performance reviews</li> </ul>
<b>STRATEGIC BUSINESS UNIT MANAGEMENT</b>	
<ul style="list-style-type: none"> <li>› Maintain an effective system of risk management and internal control within its businesses</li> <li>› Ensure that business units' responsibilities are discharged</li> </ul>	<ul style="list-style-type: none"> <li>› Reviewed key risks and mitigation plans</li> <li>› Reviewed and challenged business units' internal control environment</li> <li>› Reviewed results of internal control testing</li> <li>› Escalated key risks to Group management and the Board</li> </ul>
<b>ENABLING FUNCTION MANAGEMENT</b>	
<ul style="list-style-type: none"> <li>› Maintain an effective system of risk management and internal control within its enabling functions</li> </ul>	<ul style="list-style-type: none"> <li>› Maintained and regularly reviewed enabling function risk registers</li> <li>› Reviewed mitigation plans</li> <li>› Planned, executed and reported on internal control testing</li> <li>› Escalated key risks to Group management and the Board</li> </ul>
<b>BUSINESS UNIT MANAGEMENT</b>	
<ul style="list-style-type: none"> <li>› Maintain a robust and effective system of risk management and internal control within its business units and projects</li> </ul>	<ul style="list-style-type: none"> <li>› Maintained and regularly reviewed business unit and project risk registers</li> <li>› Reviewed mitigation plans</li> <li>› Planned, executed and reported on internal control testing</li> <li>› Escalated key risks to strategic business unit management</li> </ul>



# Maintaining an appropriate balance

The Board monitored its composition throughout 2023 to ensure that it remained appropriately balanced, diverse and fully equipped to lead the Group successfully into the future

The Board has diversity of thought within the boardroom, which fosters insightful and constructive debate and in turn leads to considered, prudent, risk-adjusted decision making that promotes long-term shareholder and stakeholder value.

The Board's diverse array of technical and soft skills, complemented by their sector-specific expertise and commitment to objectivity and independence fosters creative thinking and innovative problem solving, and better facilitates the Board's ability to convert risks into opportunities. The range of skills and experience within the Board is demonstrated in the skills matrix below.

As at 31 December 2023, the Board consisted of nine members, comprising the non-executive Group Chair, two executive

Directors, the Senior Independent non-executive Director and five further independent non-executive Directors. Biographies of each Board member who served throughout 2023 are set out on page 121.

### Conflicts of interest and independence

The Board has a number of processes and procedures in place to assess conflicts of interest and the independence of non-executive Directors against the criteria set out in the Code:

- each Director has a duty to disclose any actual or potential conflict of interest for consideration and approval, if appropriate, by the Board;

- Directors are requested to declare any conflicts at the start of all Board and Committee meetings;
- the Nomination Committee conducts an annual review of the Conflicts of Interest Register and seeks confirmation from each Director of any changes to their external appointments; and
- there is also a formal process in place for the approval of all new external appointments of Directors. In considering such appointments, the Board will consider any conflicts of interest that may arise, as well as the Directors' capacity to continue discharging their duties effectively in order to mitigate the risk of overboarding.

## KEY SKILLS AND EXPERIENCE OF DIRECTORS

SKILLS AND EXPERIENCE	LEO QUINN	CHARLES ALLEN	PHILIP HARRISON	STEPHEN BILLINGHAM	ANNE DRINKWATER	STUART DOUGHTY	BARBARA MOORHOUSE	MICHAEL LUCKI	LOUISE HARDY
CEO	●	●	○	●	●	●	○	●	○
Government relationships	●	●	●	●	●	●	●	○	●
Finance and audit	●	●	●	●	●	●	●	●	●
Health & Safety	●	●	●	●	●	●	●	●	●
ESG	●	●	●	●	●	●	●	●	●
Remuneration and people	●	●	○	●	●	○	●	●	●
Hong Kong experience	●	○	●	○	○	●	○	○	○
US experience	●	●	●	●	●	●	●	●	●
UK experience	●	●	●	●	●	●	●	●	●
Construction sector experience	●	○	●	●	●	●	●	●	●
CAPEX heavy	●	○	●	●	●	●	●	●	●
Major contracting	●	●	●	●	●	●	●	●	●
Risk	●	●	●	●	●	●	●	●	●

● Experienced ● Some experience ○ No experience

As a result of these assessments, the Board noted that Dr Stephen Billingham CBE is a member of the Company's pension scheme resulting from his employment with the Group over 20 years ago. Stephen recuses himself from any discussions relating to the Company's pension scheme.

The Nomination Committee and the Board have, after completing all of the processes detailed above, confirmed the continuing independence and objective judgement of each non-executive Director, and the overall independence of the Board in line with the recommendations of the Code.

### Board succession

Board and Executive Committee succession plans are based on merit and assessed against objective criteria, whilst also being managed through the lens of promoting diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. Succession plans are reviewed annually by the Nomination Committee. Each individual on the succession plan has a development plan in place to support them in gaining the experience needed to progress in the organisation.

Dr Stephen Billingham CBE and Stuart Doughty CMG will retire as non-executive Directors of the Company following the AGM on 9 May 2024, having served on the Board around nine years. Succession planning and the review of Board composition resulted in the appointment of Robert MacLeod and Gabby Costigan MBE as independent non-executive Directors from 8 March 2024.

Further information on the Board changes is set out in the Nomination Committee report on pages 138 to 141.

In addition to the range of technical skills and experience detailed within the skills matrix, both the Nomination Committee and the Board recognise the importance of gender and ethnic diversity. As at the date of this report, female representation on the Board stands at 36.4% and as such, the Company is not yet compliant with the FTSE Women Leaders Review or the FCA Listing Rules relating to diversity. However, the Group will exceed the targets relating to gender diversity on the Board at the conclusion of the 2024 AGM with 44.4% female representation and a female Senior Independent non-executive Director.

The Company does not currently have any Directors from an ethnic minority background but remains committed to ensuring compliance with ethnic diversity targets set by the Parker Review and FCA Listing Rules through succession planning.

The Board is also committed to supporting and developing a diverse pipeline of candidates for senior manager and subsidiary director roles within the Group. For further information on active diversity initiatives within the Group please refer to pages 75 to 77.



**At the conclusion of the AGM on 9 May 2024, the Board will have 44.4% female representation and a female Senior Independent non-executive Director.”**

**Charles Allen**  
Non-executive Group Chair

### TENURE AS AT 31 DECEMBER 2023 FOR NON-EXECUTIVE DIRECTORS

DIRECTOR	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	6 YEARS	7 YEARS	8 YEARS	9 YEARS
Charles Allen	█								
Stephen Billingham	█								
Anne Drinkwater	█								
Stuart Doughty	█								
Barbara Moorhouse	█								
Michael Lucki	█								
Louise Hardy	█								



### Director reappointment

All non-executive Directors undertake a fixed term of three years subject to annual re-election by shareholders. The fixed term can be extended and, consistent with best practice, would not go beyond nine years unless exceptional circumstances were deemed to exist.

The current length of tenure for the Group Chair and each of the non-executive Directors as at 31 December 2023 is set out on page 135.

### Training and development

The Board receives a full programme of briefings and updates annually across all areas of the Company's business from the executive Directors, members of the Executive Committee, senior executives, and advisers. In addition, training and development sessions are arranged on specific areas during the year as required. Examples of training and development in 2023 included, amongst others, sustainability, corporate governance, digital and cyber security, Artificial Intelligence, the Building Safety Act and accounting developments.

Any Director can request further information to support the fulfilment of their individual duties or collective Board role and, throughout the year, the Group Chair maintains dialogue with individual Directors to identify any specific training needs. Where appropriate, such training is integrated into Board meetings to ensure all Directors can benefit. Alternatively, training sessions may be conducted through formal presentations, one-on-one meetings, or site visits, providing opportunities to delve deeper into specific initiatives or projects.

### Information and support

During the year, the Company Secretary advised the Board on matters related to governance, ensuring Board procedures were followed and relevant statutory and regulatory requirements were complied with. The Company Secretary has responsibility for facilitating the timely distribution of information between the Board and its Committees and the executive and non-executive Directors.

The Directors have direct access for advice to the Company Secretary who is able to arrange, at the Company's expense, for the Directors to receive independent professional advice where appropriate.

### Board evaluation

In line with best practice, the performance and effectiveness of the Board, its Committees and individual Directors are assessed annually through formal performance evaluation processes. The Board and Committee evaluation process follows a three-year cycle, with the 2023 Board evaluation being internally facilitated. In accordance with the UK Corporate Governance Code, the 2024 evaluation will be externally facilitated.

#### Process – Board and Committee evaluations

The Group Chair and Committee Chairs, supported by the Company Secretary, considered the context, strategy, purpose, and approach of the internal Board and Committee evaluations respectively which were carried out by way of an anonymous questionnaire following the same format as those used in 2022 for ease of comparison. The questionnaires covered:

- › leadership;
- › effectiveness;
- › Board dynamics;
- › behaviours; and
- › risk and controls.

The Company Secretariat function collated the completed questionnaires and the Group Chair and Committee Chairs obtained additional qualitative insights through private meetings held with the Directors individually. The final findings were presented by the Group Chair or Committee Chair and were discussed in a Board or Committee meeting.

#### Group Chair evaluation

The evaluation of the Group Chair was also carried out by way of an anonymous questionnaire that was designed by the Senior Independent non-executive Director in consultation with the Company Secretary. The questionnaire followed the same format as that used in 2022 for ease of comparison, and was completed by all Directors other than the Group Chair. The non-executive Directors, led by the Senior Independent non-executive Director, also held a meeting at which the evaluation of the Group Chair was discussed, following which the Senior Independent non-executive Director provided feedback to the Group Chair.

#### Evaluation of Directors'

The evaluation of the Directors was carried out by the Group Chair in one-to-one meetings. The evaluation of the Directors included an assessment of time commitments of any external appointments and whether these have impacted the Director's ability to discharge their duties and responsibilities to the Board.

The evaluation concluded that each Director continues to have sufficient time, knowledge and commitment to effectively contribute to the long-term sustainable success of the business.

#### Findings

The findings of the Board and Committee evaluations concluded that the Board and Committees continued to function effectively, and identified the following strengths:

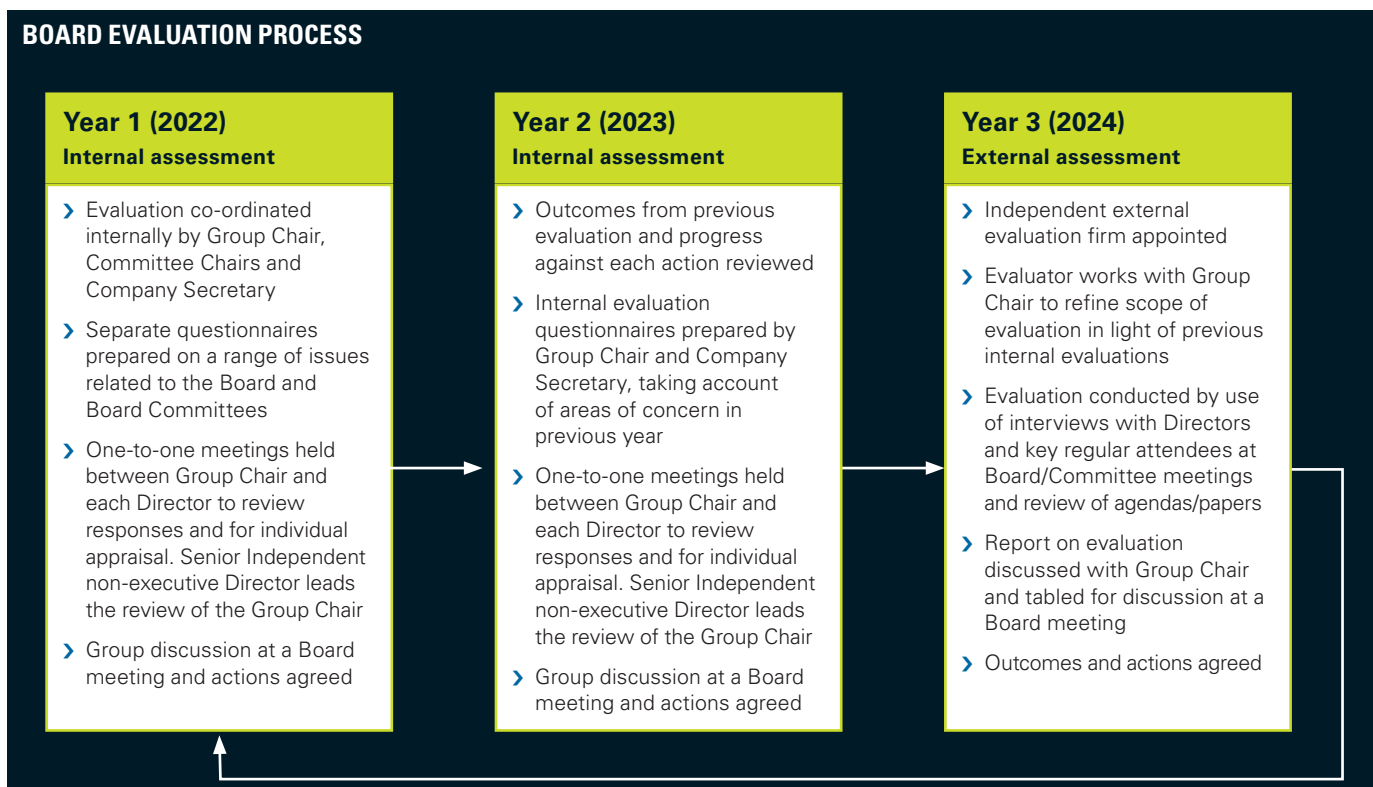
- › The Board monitors revenue, profitability, margin and other financial driven indicators to ensure the Company performs as forecasted
- › Board members comprehend and respect the difference between the Board's role and the executive's responsibility for running the Company's business
- › The Board and executive management work effectively together in achieving the Group's objectives
- › Board goals, expectations and concerns are freely communicated with the Group Chief Executive

#### Board effectiveness action plan and progress

Led by the Group Chair, with support from the Company Secretary, the Board approved and implemented an action plan to address the findings of the Board evaluation and enhance Board effectiveness. Four key themes were identified as areas that require improvement.

The recommendations following the 2023 Board evaluation, along with a detailed action plan for 2024 are presented on the facing page. Complementing this, are the actions from the 2022 evaluation, as well as the measures undertaken throughout 2023 to address those recommendations.





2023 RECOMMENDATIONS	ACTIONS PLANNED FOR 2024
Ensure continued improvements in information gathering relating to strategy, competitors, and addressable markets	<ul style="list-style-type: none"> <li>› Continue to enhance the strategic review of the Group</li> <li>› Carry out an annual competitor/industry update</li> <li>› Consider addressable markets as appropriate</li> </ul>
Support initiatives on employee engagement	<ul style="list-style-type: none"> <li>› Non-executive Directors to attend at least two meetings of the Group Tender and Investment Committee per year</li> <li>› Non-executive Directors to attend at least two site visits per year</li> </ul>
Support Board and talent development and succession	<ul style="list-style-type: none"> <li>› Carry out a skills and experience review of the Board</li> <li>› Carry out a talent review of the executive Directors, Executive Committee members and other senior managers as appropriate</li> <li>› Continue to monitor succession plans for the executive Directors, Executive Committee members and other senior managers as appropriate</li> </ul>
Progress the diversity and inclusion agenda for the Group	<ul style="list-style-type: none"> <li>› Regularly monitor the diversity and inclusion performance of the Group and set a plan to address the gender and ethnicity imbalance on the Board, its Committees, the Executive Committee and across the wider Group</li> </ul>

2022 RECOMMENDATIONS	ACTIONS TAKEN DURING 2023
Improve balance of management information provided across the Group's key jurisdictions	<ul style="list-style-type: none"> <li>› The Board received regular reports on talent development and succession across the Group within Board meetings and Committee meetings</li> </ul>
Ensure the Board is kept sufficiently up to date with industry developments and the Group's relative competitive positioning	<ul style="list-style-type: none"> <li>› The Board received regular updates from executive Directors on competitors and market developments</li> <li>› There was emphasis on ensuring that presentations to the Board were suitably balanced between activities in all markets in which the Group operates</li> </ul>
Close out any ongoing actions from the 2021 external Board evaluation	<ul style="list-style-type: none"> <li>› All ongoing actions from the 2021 external Board evaluation were closed</li> </ul>



# Nomination Committee



## Report of the Nomination Committee

I am pleased to present the report of the Nomination Committee, setting out the key activities undertaken throughout 2023 and the priorities for 2024.

During the year, the Committee continued to focus on the long-term succession planning for the Board, its Committees, and the Executive Committee. The Committee remained mindful of the importance of diversity within the Board, its Committees and senior management, and the recommendations set out in the FTSE Women Leaders Review, the Parker Review, and the new diversity criteria set out in the Listing Rules. The Board's key focus in 2023 was on identifying candidates as non-executive Directors who would add to the collective skills, experience and diversity of the Board when they take over from Dr Stephen Billingham CBE and Stuart Doughty CMG as they step down from the Board following the conclusion of the 2024 AGM.

The Committee is responsible for identifying, reviewing, and recommending suitable candidates to the Board. With the support of Odgers Berndtson, the Committee conducted an extensive selection process, unanimously recommending Robert MacLeod and Gabby Costigan MBE as non-executive Directors. The decision followed a thorough evaluation of role profiles, initiated searches, and a thorough review of candidates. Throughout this process, the Committee assessed the current Board and Committee composition, ensuring diversity in skills, knowledge, gender and ethnicity aligned with the roles. The Committee made diversity a focal point of the search, challenging Odgers Berndtson to ensure inclusivity in candidate short-listing. Odgers Berndtson's involvement in the process remained entirely independent, ensuring impartiality and integrity throughout.

Robert's leadership of large, complex international businesses and significant corporate and financial experience, and Gabby's experience of large, complex international organisations and significant experience in regulated markets are valuable additions to our Board. Their combined skills and experiences will undoubtedly strengthen our Board's capabilities. The Committee diligently oversaw the recruitment and induction process for both Robert and Gabby. Further details regarding the induction process can be found on page 141. Following the 2024 AGM, the Board will have more than 40% female representation and while the Board has not yet achieved compliance with the Parker Review's recommendations, the Committee is actively prioritising efforts to enhance ethnic diversity through the Group's ongoing succession planning.

At the conclusion of the Company's AGM on 9 May 2024, Dr Stephen Billingham CBE and Stuart Doughty CMG will step down from their roles as non-executive Directors. The Committee recommended to the Board that Robert be appointed as Chair of the Audit and Risk Committee and Gabby as the Chair of the Safety and Sustainability Committee at the conclusion of the 2024 AGM. I would like to thank both Stephen and Stuart for the significant contributions they have both made in helping steer the business through an exceptional period of transformation.

Further to the above, the Committee recommended the appointment of Anne Drinkwater, who has served on the Board for over five years, as the Senior Independent non-executive Director when Stephen Billingham steps down from the Board following the 2024 AGM. Anne will remain as Chair of the Remuneration Committee.

I would like to thank the Board for their support and engagement with the Board succession planning during the year.

**Charles Allen**  
Chair of the Nomination Committee  
12 March 2024

## ROLES AND RESPONSIBILITIES OF THE COMMITTEE

- › Make recommendations to the Board on the appointment, reappointment, retirement or continuation of any Director
- › Propose and oversee induction plans for newly appointed Board members
- › Make recommendations regarding Directors' independence
- › Monitor the balance, composition, diversity, structure, and size of the Board and Committees
- › Conduct and monitor Board and Executive Committee succession planning



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## MEMBERSHIP

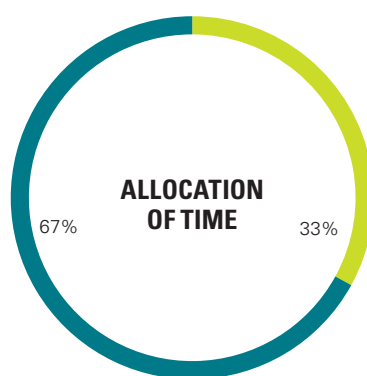
- › Charles Allen (Chair of the Committee)
- › Stephen Billingham
- › Stuart Doughty
- › Barbara Moorhouse

## KEY ACTIONS FROM 2023

- › Conducted search for two new non-executive Directors
- › Senior Independent non-executive Director and Committee Chair succession planning
- › Reviewed Board balance, composition and diversity
- › Reviewed succession plans for the Board, its Committees and the Executive Committee
- › Completed an internal evaluation of the Nomination Committee

## PRIORITIES FOR 2024

- › Review the Board's succession plans
- › Review the Executive Committee's succession plans and the progress of professional development programmes underway to support a diverse pipeline of candidates
- › Set the induction plans for Gabby Costigan and Robert MacLeod
- › Review Board balance, composition and diversity against the short, medium and long-term needs of the Company
- › In the event of vacancies arising on the Board, the selection of new Directors



- Performance, balance and composition reviews
- Recruitment

## Committee composition

The Committee comprises two non-executive Directors, the Senior Independent non-executive Director, and the Group Chair.

## Board composition and succession

Board composition is shaped and informed by:

- › succession planning activities undertaken by the Committee;
- › ongoing assessments of the skills, experience and diversity required on the Board to deliver against the Group's strategy, purpose and values;
- › insights derived from the Board evaluation process; and
- › shareholder feedback.

The perspectives, skills and experience on the Board are mapped to the needs of the business and aligned to the Group's strategy, purpose and values. Biographies of the Directors who served throughout 2023, including details of their backgrounds and experience, can be found on page 121.

The Committee considers the length of service of the members of the Board as a whole, as well as the need for the Board to

remain agile and responsive to the evolving needs of the Group and an ever-changing external environment.

## Time commitment

The anticipated time commitments of the Group Chair and non-executive Directors are agreed and set out in their respective Letters of Appointment. To ensure each Director has sufficient time to conduct their duties effectively, and mitigate the risk of Director overboarding, the Committee takes the following preventative steps:

- › prior to appointment, the Committee considers and assesses any existing external commitments on an individual's time. This is necessary to confirm their capacity to take on the role and discharge their duties effectively; and
- › any additional external appointments are subject to Board approval to ensure Directors can continue to devote the necessary time to their duties.

## Evaluation of the Committee

In 2023 the Committee undertook an internal effectiveness review as part of the wider Board evaluation process.

## Election and re-election of Directors

All non-executive Directors undertake a fixed term of three years, subject to annual re-election by shareholders at the AGM. The fixed term can be extended, but would not normally exceed nine years, unless the Board deemed there to be exceptional circumstances that merit an extension beyond nine years. As part of the internal Board evaluation process, the Board undertook a review of the effectiveness and performance of each of the Directors, with a specific focus on:

- › their continued ability to contribute to the long-term sustainable success of the Company; and
- › their capacity to discharge their responsibilities effectively, given their external time commitments and responsibilities.



## Report of the Nomination Committee continued

### Election and re-election of Directors continued

Following this review and considerations of the Directors' tenure, the Committee unanimously recommends the re-election of each of Charles Allen, Leo Quinn, Philip Harrison, Anne Drinkwater, Louise Hardy, Michael Lucki and Barbara Moorhouse at the 2024 AGM. Following their appointment, the Committee also unanimously recommends the elections of both Gabby Costigan and Robert MacLeod at the 2024 AGM.

### Diversity and inclusion

As Balfour Beatty continues to navigate through macroeconomic headwinds, an ever-changing risk environment, and the global challenge to achieve net zero and operational sustainability, the Board needs to ensure it has the right balance of skills, experience, and perspectives in the boardroom to face those challenges head on. Therefore, diversity must be embraced and embedded into the business, and that starts with the Board. While diversity is a key factor, the Board continues to appoint on merit, based on the skills and experience required for membership, while considering all forms of diversity and independence.

With Dr Stephen Billingham CBE and Stuart Doughty CMG reaching the end of their nine-year tenure in 2024, the Committee took a proactive step to carry out a recruitment process with the diversity of the Board being a key consideration. At the date of this report, the Board has 36.4% female representation which will increase to 44.4% following the Company's AGM on 9 May 2024. In addition, Anne Drinkwater will be appointed Senior Independent non-executive Director, ensuring female representation within the key Board positions. As a result of the positive work carried out by the Committee, the Board will not only be compliant, in relation to gender diversity on the Board with the recommendations set out in the FTSE Women Leaders Review and the targets in the Listing Rules, but will exceed them following the Company's 2024 AGM.

The Group's progress on its Value Everyone UK Diversity and Inclusion Action Plan can be found on pages 75 to 77. The Board monitored progress against this initiative by receiving updates from the Group HR Director.

In February 2024, the Committee recommended the Board Diversity and Inclusion Policy for approval by the Board in compliance with Disclosure and Transparency Rule 7.2.8AR. The updated policy applies specifically to the Board and its Committees (the Nomination, Remuneration, Audit and Risk and Safety and Sustainability

Committees). The policy codifies the Group's ultimate goal of obtaining female and male parity on the Board and its Committees and its goal of having no less than 40% male or female representation, and having a Director from an ethnic minority background on the Board, while recognising that periods of transition and change in Board composition may result in temporary periods when this balance is not achieved.

Further to this, the Committee will regularly review the structure, size and composition of the Board and its Committees, and make recommendations to the Board with regard to changes that are deemed necessary.

The Board's definition of diversity covers gender, ethnicity, and age (as well as other protected characteristics set out by the 2010 Equalities Act).

### Gender diversity

With the appointments of Gabby Costigan MBE as a non-executive Director and Anne Drinkwater as Senior Independent non-executive Director, the Board is positioned to achieve compliance with the board diversity recommendations set out in the FTSE Women Leaders Review following the Company's AGM on 9 May 2024. The Committee considers that diversity on the Board is fundamental to setting the tone for the Group as it seeks to foster inclusivity and create a dynamic environment that nurtures innovation and sustainable growth. Balfour Beatty is dedicated to actively promoting gender diversity and empowering women in the construction industry. For insights into the Group's initiatives aimed at advancing gender diversity and supporting women's career progression, please refer to pages 75 to 77.

As Balfour Beatty continues its journey towards greater gender diversity and inclusion, the recent Board appointments mark a significant milestone. While the Board is now positioned to achieve compliance with the board diversity recommendations in the FTSE Women Leaders Review following the 2024 AGM, the Committee acknowledges the imperative of ensuring gender parity in senior management, particularly on the Executive Committee. To achieve this, Balfour Beatty is actively engaged in succession planning and prioritising the professional development of its existing female workforce, enabling them to progress to more senior positions with the Group.

For a breakdown of gender demographics across the Group, please refer to the People section on page 77.

In compliance with LR 9.8.6R(10) additional diversity analysis can be found on page 169.

### Ethnic diversity

The Committee acknowledges the significance of the Parker Review, which provides guidance and targets for increasing ethnic diversity within the Board and senior leadership positions.

While the Board has not yet achieved compliance with the Parker Review recommendations, the Committee is actively prioritising efforts to enhance ethnic diversity within the Group's leadership. This commitment is reflected in the Group's ongoing succession planning.

The Committee recognises the importance of ethnic diversity on the Board, and acknowledges that for the Group to develop a truly diverse and inclusive culture, the Board needs to:

- set the right top-down example;
- be a more proportionate representation of the Group's workforce, the communities in which it operates, and society at large; and
- foster a culture that embraces and celebrates diversity and inclusion.

As a business, Balfour Beatty must make every effort to attract and retain a diverse talent and break down the barriers that stifle recruitment and progression of ethnic minorities within the industry. With the support of the HR function, the Group drives a number of initiatives to support career development of ethnic minorities within the workforce. Details of such initiatives can be found in the People section on pages 75 to 77.

### Listing Rules and Disclosure Guidance and Transparency Rules

The Board is mindful of the requirements under Listing Rule 9.8.6R(9)(a) which applied to the Company for the first time in 2023.

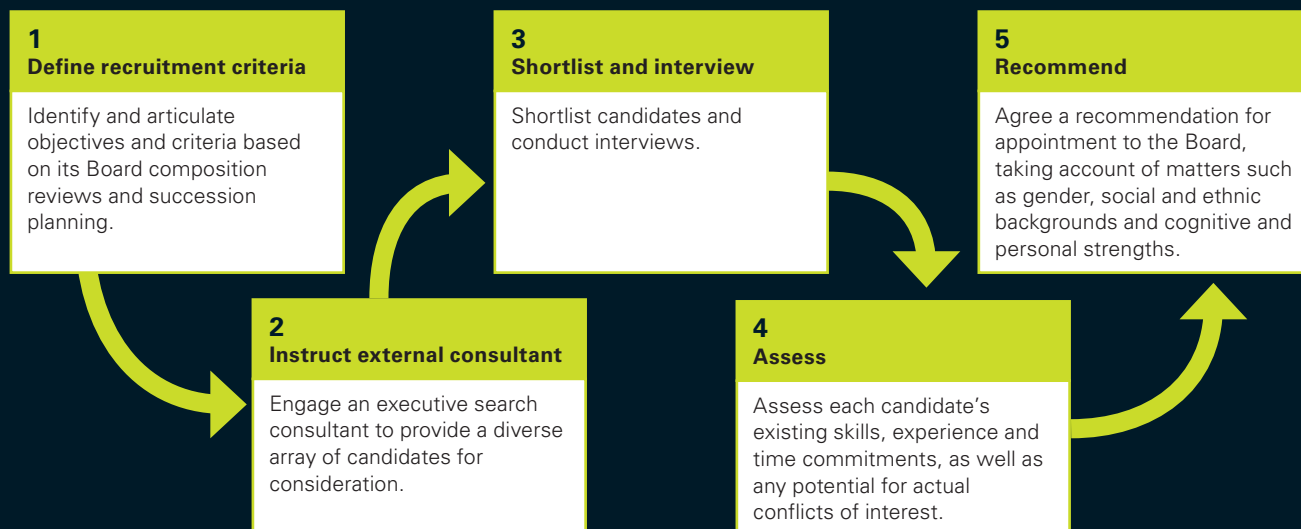
The Board is yet to meet the diversity targets set in the Listing Rules. As at 31 December 2023, the Group had 33.3% female representation on the Board and 18.2% on the Executive Committee. However, the Company will achieve compliance with the Listing Rules targets relating to gender diversity on the Board following the 2024 AGM. There is currently no Board or Executive Committee member from an ethnic minority background. Data on these targets in the required standardised form can be found in the Directors' Report on page 169.

Despite the fact that the Company is not yet compliant with the targets set out under Listing Rule 9.8.6R(9)(a), the Committee remains optimistic that through the positive work being carried out across the Group with regards to diversifying the workforce at all levels and the progress made on its succession pipeline, Balfour Beatty will address the shortages of diversity within its sector and strive to comply with the requirements while maintaining the desired levels of skills, knowledge and experience.



## DIRECTOR APPOINTMENT PROCESS

When making a new appointment, the Committee takes the following steps:



See page 138 for details relating to the appointments of Robert MacLeod and Gabby Costigan MBE as members of the Board.

### Director induction

Following appointment, all Directors receive a comprehensive and tailored induction programme. All newly appointed Directors are required to devote the time required to complete the induction programme. The time commitments are set out in their respective Letters of Appointment. Induction programmes are designed by the Company Secretary in conjunction with the Group Chair, Senior Independent non-executive Director and Group Chief Executive.

Induction programmes are varied and include a selection of:

<b>Meetings with the Board</b>	One-to-one meetings with the executive Directors, non-executive Directors, and the Group General Counsel and Company Secretary.
<b>Meetings with the Executive Committee and senior management</b>	One-to-one meetings with members of the Executive Committee, as well as meetings with key members of senior management from a variety of departments and business units, with the content of meetings varying depending on the Director being inducted and their background and individual experience.
<b>Meetings with the auditors</b>	Meetings with the Head of Internal Audit and the external audit partner (particularly for newly appointed Directors who are members of the Audit and Risk Committee).
<b>Self-study</b>	Documents provided via the electronic Board portal covering key information relating to the Group including financial performance, Board policies and procedures and governance matters. These documents are also available to all other Board members as a continuing point of reference.
<b>Site visits and workforce engagements</b>	Visits to key operational sites, offering a chance to meet the workforce. Directors continue to make regular site visits throughout their tenure, in line with the Company's Employee Voice initiative, gaining valuable insight into operations and feedback from the workforce.
<b>Meetings with key shareholders and stakeholders</b>	Supported by the Group Chair and the Company Secretary, the induction programme will, as appropriate, include a schedule of meetings with major shareholders and key stakeholders in order to support newly appointed Directors' understanding of shareholder and stakeholder views, and the discharge of their directors' duties under Section 172 of the Companies Act 2006.
<b>Education and training</b>	If any gaps in skills or experience are identified within the interview process, internal and external training will be provided and tailored to the needs of the Director. Directors engage in an ongoing programme of education and training throughout their tenure to continually enhance their knowledge and skills.



# Safety and Sustainability Committee



## Report of the Safety and Sustainability Committee

I am pleased to present my final Safety and Sustainability Committee report before I step down from the Board following the Company's 2024 AGM after having served as a non-executive Director for the last nine years. During my tenure I have overseen continued progress in how health and safety is managed and how the Group is working to achieve its Zero Harm target. I have also seen the Group's progress towards its Beyond Net Zero Carbon, Generate Zero Waste, and Positively Impact More than 1 Million People ambitions. As a result of work that the Safety and Sustainability Committee has done during my tenure, I know that Balfour Beatty is well placed to continue to improve its safety and sustainability performance and to lead the way in the sectors in which the Group operates.

Following the roll-out of the What3Things? initiative, lost time incident rates (LTIR) were down to 0.11 (2022: 0.15), the lowest figure ever achieved in a non-pandemic year. In addition, the major injury rate was down to 0.02 (2022: 0.03). For further details on our safety performance, see pages 44 and 45.

Despite the positive safety performance in 2023, there were tragically two fatalities. One of these incidents occurred on the HS2 Area North project and the second occurred on the AWE project. I extend my deepest sympathies to the families, friends, and co-workers of our late colleagues. Both incidents have been thoroughly investigated and lessons learnt have been shared across the Group. The Group has established a stored energy fatal risk working group to specifically look at stored energy risks. As a result, Balfour Beatty is working with manufacturers to improve the design of machinery to further reduce potential stored energy related risks. The Group is also harnessing digital solutions to reduce other key safety risks.

The Group continued its positive work on supporting the mental health of employees in 2023. The health of employees is viewed as a key component of the Zero Harm initiative as the focus on 'Be Fit for Work' explores physical, emotional, and mental health. In 2023, the Group furthered its efforts by renewing its partnership with construction industry charity Mates in Mind. Balfour Beatty continues to work closely with the charity across the UK in a bid to promote positive mental health and wellbeing, and to create proactive support measures to tackle mental ill health in the construction sector. More information relating to the Group's initiatives surrounding mental health is referred to on page 47.

The Company has also developed Science-Based Targets to set a clearly defined path to reduce emissions in line with the Paris Agreement goals. The targets were submitted to the Science Based Targets initiative (SBTi) in December 2023 for validation in line with the most recent SBTi criteria. Following SBTi validation, the Company will publish those targets on its website, and will disclose each year the Group's emissions and progress against targets.

The Committee met three times in 2023 and its meetings were regularly attended by other members of the Board as well as the Health, Safety and Environment Director, Lee Hewitt, and the Group Director of Sustainability, Jo Gilroy, both of whom provide expertise and support to the Committee on their relevant subject matters. Other key individuals are invited to meetings of the Committee to support the Committee in understanding particular matters and to enable the Committee to see first hand what progress is being made in a particular area.

When I step down from the Board following the conclusion of the 2024 AGM, Gabby Costigan MBE will take over as Chair of the Safety and Sustainability Committee. Gabby has considerable executive leadership experience and brings with her significant relevant knowledge and experience. As such, I will be leaving the Committee in good hands, having ensured a smooth transition.

**Stuart Doughty CMG**  
Chair of the Safety and Sustainability Committee

12 March 2024



SCAN TO READ THE TERMS OF REFERENCE

## ROLES AND RESPONSIBILITIES OF THE COMMITTEE

- › Reviewing strategies, policies and procedures of the Group in relation to health, safety, environment and sustainability (HSES) matters.
- › Monitoring and updating the Group's control processes where appropriate.
- › Approving health and safety targets and key performance indicators, monitoring the Group's performance against them and taking corrective action where necessary.
- › Monitoring the Group's performance against the main health, safety, environmental and sustainability risk groups, and implementing strategies to mitigate such risks.
- › Reviewing the environmental and sustainability performance of the Group, including but not limited to energy and carbon emissions, materials and waste management and social and community matters.
- › Approving environmental and sustainability targets and key performance indicators, monitoring the Group's performance against them and taking corrective action where necessary.

## MEMBERSHIP

- › Stuart Doughty (Chair of the Committee)
- › Anne Drinkwater
- › Louise Hardy
- › Leo Quinn

## KEY ACTIONS FROM 2023

- › Received reports on the implementation of Group initiatives
- › Reviewed findings from incidents and near misses and ensured learnings were embedded across the Group
- › Implemented and monitored the Bridging the Gap commitments
- › Received updates on regulatory developments across HSES matters

## PRIORITIES FOR 2024

- › Monitor progress towards carbon and waste reduction targets
- › Monitor progress against the Bridging the Gap sustainability commitments
- › Focus on a culture of Zero Harm and Group-wide sustainability
- › Continued focus on targeted risk elimination
- › Monitor progress against the Group's science-based carbon targets
- › Support the induction of Gabby Costigan MBE

## Main activities of the Committee during the year

### Safety performance and Zero Harm

The Health, Safety and Environment Director issued regular reports to the Committee throughout 2023 on the Group's performance against various health and safety metrics including data covering fatalities, injuries, serious and minor events, near misses and health and safety observation reporting. Following a strong performance in 2022, the Group continued to receive a high volume of workforce safety observations, indicating strong employee engagement in respect of health and safety matters. Positive employee engagement results also confirmed the continued strong Zero Harm culture within the business. Further details on Zero Harm can be found on pages 44 and 45.

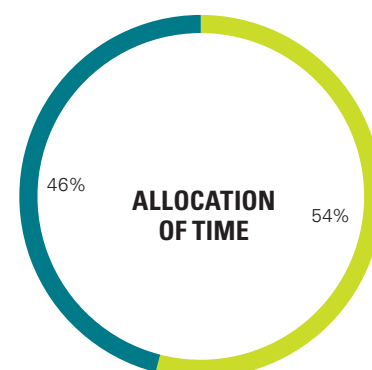
Reports were received regarding progress on Group initiatives, including:

- › US Civils building safety;
- › progress against Zero Harm and priorities;
- › incident overview and actions; and
- › Bridging the Gap sustainability strategy.

### Notable incidents and fatalities

Tragically, despite a continued focus on Zero Harm, two fatal incidents occurred during 2023, as referred to on pages 44 and 45. The incident in the HS2 Area North project occurred in the closing stages of a horizontal direction drilling operation for a service diversion. Following the incident, a full investigation was undertaken which led to enhanced scrutiny of our work site protocols. Particularly, similar activities with certain coil diameters have since been ceased and the Group has worked in the industry to look at whether the kick out risk of a cable can be designed out or better controlled to minimise risks. At the AWE project, the incident occurred as an employee was clearing a pipe of concrete. The subsequent investigation allowed the Group to identify and rectify procedural lapses, resulting in the development of a bespoke, digital, assurance process for this activity which reinforces our commitment to stringent safety compliance Group-wide.

The Committee continued to receive regular reports on learnings and actions arising from incidents or near-misses that had high potential of serious injury. Some examples include the implementation of project safety assessment tools highlighting activities which may contain higher risks and a review of any pipe trailer operations involving a pipe diameter of more than or equal to 125mm.



- Health and Safety updates
- Environment and sustainability updates



## Report of the Safety and Sustainability Committee continued

### BRIDGING THE GAP AREAS OF FOCUS

- › Leadership relating to sustainability
- › Reducing Greenhouse Gas emissions

- › Reuse of materials and reduction in waste
- › Supporting local employment skills including local businesses

- › Community engagement through charitable fundraising, volunteering and mentoring
- › Biodiversity restoration and enhancement

### Environment and sustainability

The Committee received regular updates throughout the year on the Company's performance on sustainability and environmental targets, including waste management and carbon performance. The Committee also monitored the Group's social impacts and creation of social value for local communities.

During 2023, the Group launched the Bridging the Gap framework, intended to simplify, prioritise, and consolidate the Group's approach to sustainability and the adoption of a uniform approach to delivering sustainability ambitions.

The Group Sustainability function recommends targets and ambitions to enable the development of a sustainability operational action plan and enhance the Group's understanding of material sustainability considerations. Strategic Business Unit sustainability directors are responsible for the business unit sustainability leads and project-based teams and are accountable for sustainability action plans relating to their business unit. The Business Unit sustainability lead is responsible for developing the Bridging the Gap sustainability action plan, which are aligned to the Group's 2030 targets and 2040 ambitions. PwC is engaged to provide limited external assurance over the reporting of social value, and the Group's Scope 1 and 2 Greenhouse Gas emissions for annual reporting purposes.

The senior leadership of each Business Unit is responsible for agreeing its Bridging the Gap action plan, detailing how projects should deliver sustainability at a local level, recognising the Group's responsibility for eliminating climate change causing gases, protecting biodiversity, and delivering long lasting social value wherever possible.

Performance was monitored in 2023 and key takeaways of performance against focus areas were identified which in turn assisted with the development of a tailored plan of action. The Company believes this strategy demonstrates alignment with the Sustainable Development Goals set by the United Nations and allows for consistency across the business.

### Governance

During the year, the Committee reviewed its terms of reference, which can be found on the Company's website.

The Committee monitored the resourcing of the HSES function, and reviewed the appropriateness and effectiveness of the governance framework for HSES matters. The Committee also developed additional governance measures to ensure sustainable considerations are understood and acted upon across all layers of the business.

### Evaluation of the Committee

The Committee undertook an internal effectiveness review as part of the wider internal Board evaluation. Further details can be found on pages 136 and 137.



# Audit and Risk Committee



## Report of the Audit and Risk Committee

I am pleased to present my final report of the Audit and Risk Committee before I step down from the Board following the Company's 2024 AGM after having served as a non-executive Director for the last nine years. This report is intended to provide shareholders with an insight into key areas considered by the Committee, together with how the Audit and Risk Committee has discharged its responsibilities and provided assurance on the integrity of the Annual Report and Accounts 2023.

The Audit and Risk Committee assists the Board in fulfilling its responsibilities related to Group financial statements, risk management and financial controls and overseeing the Internal Audit function and the external auditor.

The Committee held five meetings in 2023. Further detail on attendance can be found on page 119. All non-executive Directors are encouraged to attend Committee meetings and meetings were also regularly attended by the Group Chair, Group Chief Executive, Chief Financial Officer, Group Risk and Audit Director, UK Head of Internal Audit, Group Financial Controller, Group General Counsel and Company Secretary and representatives of the external auditor, including the lead audit partner. There were further ad hoc attendees who joined Committee meetings for specific agenda items.

An area of focus during 2023 was expanding the reporting around Group risk management, and further developing the maturity of the internal controls framework. This will improve the Group's controls and risk management frameworks, especially over key financial, operational and compliance controls, and the identification and assessment of emerging and principal risks. Further information on the Group's principal and emerging risks can be found on pages 96 to 103.

In July, during the Board visit to the US, the Committee took the opportunity to meet with the independent compliance monitor who briefed the Committee and other Board

members on her first report on the work carried out across the US military housing portfolio. The meeting provided an opportunity for the monitor to provide insights on Balfour Beatty Communities' compliance programme. The Committee was also able to assure the monitor that it will closely assess the Balfour Beatty Communities team's implementation of the monitor's recommendations and ensure that the team receives the support needed to make the monitorship process a success.

The Committee remains alert to regulatory and legislative developments for matters under its remit. The Board and the Committee are aware of revisions to the UK Corporate Governance Code, which are effective for the Group's 2024 financial year, and publications setting out the minimum standards of audit committees and will monitor developments and update processes as appropriate in 2024.

The Committee remained focused on monitoring the integrity of the Group's financial and risk reporting and continued to discharge its duties in accordance with its terms of reference. Further detail on the Committee's activities throughout the year is set out on the following pages.

During the year, the Committee reviewed its terms of reference, which can be found on the Company's website.

When I step down from the Board following the 2024 AGM, Robert MacLeod will take over as Chair of the Audit and Risk Committee. Robert has considerable executive leadership experience and brings with him significant relevant knowledge and experience. As such, I will be leaving the Committee in good hands, having ensured a smooth transition.

**Stephen Billingham**  
Chair of the Audit and Risk Committee  
12 March 2024



## Report of the Audit and Risk Committee continued

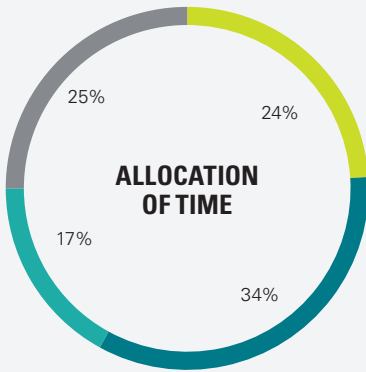


### ROLES AND RESPONSIBILITIES OF THE COMMITTEE

- › Monitoring the integrity of the Group’s financial statements, including providing advice (where requested by the Board) on whether the Annual Report, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy
- › Reviewing the significant financial issues and judgements related to the Group’s financial statements, including Investments portfolio valuations
- › Ensuring management has relevant and effective systems of risk management and internal control in place
- › Monitoring the effectiveness of the Internal Audit function
- › Overseeing the relationship with the external auditor, including annual approval of the external audit plan, review of audit opinions, setting of external auditor remuneration, and reporting the results of external audits to the Board
- › Monitoring the effectiveness, objectivity and independence of the external auditor, including factors related to the provision of non-audit services
- › Reviewing the Company’s environmental, social and corporate governance reporting in line with the increasing focus in this area

### MEMBERSHIP

- › Stephen Billingham (Chair of the Committee)
- › Stuart Doughty
- › Michael Lucki
- › Barbara Moorhouse



- Financial reporting
- Internal audit, risk management and internal control
- External auditor
- Governance and other matters

### KEY ACTIONS FROM 2023

- › Continued to monitor developments in the control environment in the US Military Housing business. Reviewed progress on the implementation of the recommendations set out in the independent compliance monitor’s first report
- › Held a US-focused Audit and Risk Committee meeting, reviewing US Buildings, Civils and Investments compliance and controls
- › Continued to monitor and review staff training and development, investment risk assessments, ethics and compliance risk assessments and Group-wide internal controls and risk management frameworks to ensure the Group has the ability to identify risks and how these translate into internal controls
- › Succession planning for the Committee Chair replacement in conjunction with the Nomination Committee and the Board
- › Support the onboarding of the external auditor’s new lead partner

### PRIORITIES FOR 2024

- › Continue to review and challenge management’s judgements on significant accounting issues including key contract judgements
- › Review future reports from the independent compliance monitor and assess any findings in association with the control environment in the US Military Housing business
- › Robust review of the detailed drivers and mitigation activities of the Group’s principal risks
- › Review and monitor the implementation and improvement of internal controls while taking the revised UK Corporate Governance Code reforms into consideration.
- › Support the induction of Robert MacLeod



## COMMITTEE ACTIVITIES DURING 2023

The Committee has a substantial remit and cycle of actions to complete throughout the year. The Committee Chair, with the support of the Company Secretary, ensures the Committee fully discharges its responsibilities in accordance with its terms of reference, whilst maintaining sufficient time for discussion of ad hoc items that arise throughout the year.

		MAR	MAY	JUL	AUG	NOV
<b>Group financial statements</b>	Received reports on financial and accounting, contract and commercial issues and litigation	●			●	
	Approved financial results press releases and the Annual Report and Accounts to be put to the Board	●			●	
	Approved the Group's viability and going concern statements	●			●	
	Reviewed Directors' valuation of the Investments portfolio	●			●	
	Approved greenhouse gas emissions representation letter to PwC	●				
<b>External auditor</b>	Reviewed the external auditor's report on the Company's full year and half year financial statements	●			●	
	Reviewed the external auditor's assessment of its objectivity and independence including a review of non-audit services (and associated fees) provided by the external auditor	●			●	
	Reviewed management representation letters related to the Company's full year and half year financial statements	●			●	
	Reviewed the external auditor's half year review plan and audit strategy		●		●	●
	Reviewed and discussed the results of the AQRT review on KPMG's 2022 audit					●
	Approved the external auditor's fees				●	
<b>Risk management and financial controls (including the Internal Audit function)</b>	Conducted assessments of the Group's systems of risk management and internal control, including a robust assessment of principal and emerging risks	●				
	Approved internal audit plans and received updates on internal audit and risk		●		●	●
	Received updates on US military housing controls and compliance		●	●		●
	Held discussions with the independent compliance monitor on the report issued and progress on addressing the recommendations within it			●		
	Received an update on US Buildings and Civils controls and compliance			●		
	Received the half year risk and controls report				●	
<b>Other matters</b>	Received updates on Group tax and insurance		●			
	Received updates on Group ethics and compliance, including whistleblowing reports		●			●
	Terms of reference review	●				
	Held private meetings between the non-executive Directors, Group Risk and Audit Director and KPMG	●	●	●	●	●



## Report of the Audit and Risk Committee continued

### Significant issues and other accounting judgements

The following sets out all significant issues reviewed by the Committee throughout the year, being those requiring management to exercise the highest level of judgement or estimation. The Committee assesses these judgements or estimates to determine if they are reasonable and appropriate.

#### REVENUE AND MARGIN RECOGNITION

Given the nature of the Group's operations, these elements are central to how it values its work. Having reviewed detailed reports and met with management, the Committee considered contract and commercial issues with exposure to both revenue and margin recognition risks. As a key area of audit focus, the Committee also received a detailed written report from the external auditor setting out the results of its work in relation to key contract estimates.

#### GOING CONCERN AND VIABILITY STATEMENT

In order to satisfy itself that the Group has adequate resources to continue in operation for the foreseeable future and that there are no material uncertainties that could lead to significant doubt as to the Group's ability to continue as a going concern, the Committee considered the Group's viability statement, cash position (both existing and projected), bank facilities and covenants (including bonding lines) and the borrowing powers allowed under the Company's Articles of Association. The Committee subsequently recommended to the Board the adoption of the going concern statement and the viability statement for inclusion in the Annual Report and Accounts. More details on going concern and the viability statement are contained in Note 1 on page 189 and on page 104 respectively.

#### NON-UNDERLYING ITEMS

The key judgement is whether items relate to underlying trading or not and whether they have been presented in accordance with the Group's accounting policy. The Committee conducted a review of each of the non-underlying items, receiving written reports from management and the external auditor as to their quantum and nature.

#### CONTRACT PROVISIONS

The Committee reviewed the significant estimates of the quantum and timing of liabilities relating to contract provisions, including litigation and other risks. The Committee received detailed reports, including relevant legal advice.

#### RETIREMENT BENEFIT OBLIGATIONS

The key judgement relates to the assumptions underlying the valuation of retirement benefit obligations. The Committee received reports from management outlining the assumptions used, including input from the Group's actuaries, in particular in relation to discount rates, inflation and mortality which were evaluated against external benchmarks and, in relation to which, the external auditor also provided reports.

#### DIRECTORS' VALUATION OF THE INVESTMENTS PORTFOLIO

The Committee assessed the methodology used to value the assets in terms of the discount rates applied. It also critically appraised the output of the Directors' valuation exercise.

### Committee composition

The Committee is chaired by Dr Stephen Billingham CBE. In accordance with the UK Corporate Governance Code, the Board has determined that Stephen has recent and relevant financial experience, and the Committee as a whole has the required skills and expertise to discharge their duties.

The Committee Chair is supported by the other Committee members in delivering the Committee's governance responsibilities. Committee members possess a range of experience relevant to the sector within which the Company operates, and also in relation to financial management, audit and risk. The Committee members' full biographical details can be found on page 121.

### Evaluation of the Committee

During the year, the Committee undertook an internal effectiveness review as part of the wider Board evaluation.

### Financial reporting

A key responsibility of the Committee is to monitor and oversee the integrity of the Group's published financial statements. This responsibility is discharged in part through the review and evaluation of the Company's full year and half year financial statements.

The Committee has full access to management, in order to ask questions and gain further insights where necessary, and receives reports from members of the Finance and Internal Audit teams and the external auditor.

The Committee assessed whether the annual financial statements provide a 'fair, balanced and understandable' view of the Group's position and performance, business model and strategy, as well as:

- › assessing whether the accounting policies applied, and judgements (including key contract judgements), estimates and assumptions made, by management are reasonable and appropriate based on information available (further details are in Note 2 on pages 190 to 195); and
- › assessing whether the Company has complied with relevant financial reporting standards and other regulatory requirements, including the UK Corporate Governance Code and European Securities and Markets Authority Guidelines on Alternative Performance Measures.



## Going concern and viability statement

The Committee was presented with management's assessments of the Group's viability over a three-year period to 31 December 2026, and its going concern basis for the period of at least 12 months from the date of approval of the financial statements as part of the Board's wider responsibility for assessing the Group's principal and other risks (see pages 96 to 103).

The Committee assessed these analyses and assumptions, taking into account cash flows, current levels of debt and the availability of future finance if required. The viability and going concern assessments, including the severe but plausible downside scenarios modelled, were discussed and the Committee concluded that the assessments were appropriate. The Committee also continued to consider the impact of climate change on the Group's viability. The Committee subsequently approved the viability statement and the going concern disclosures for inclusion in the Annual Report and Accounts 2023.

The viability statement and the going concern disclosure can be found on page 104 and in Note 1 on page 189 respectively.

## Review of compliance and controls of the US Construction businesses

In July, the Committee held a meeting which focused on the controls and compliance environment within the US Buildings and Civils businesses.

The Committee reviewed reports which set out updates to the risk profiles of both businesses together with the highest rated risks in each business. Alongside these risks, management described the controls in place, both for work winning and operational phases of contracts, which were centred around the Gated Business Lifecycle process. Management also continued to identify areas of internal audit findings and updates to the progress on actions taken to address lessons learnt. The reports also provided updates on identified improvement areas and actions.

## US Military Housing

During the year the Committee received regular updates on the work within Balfour Beatty Communities to improve the control environment within the Military Housing business. This included reports from the Group Risk and Audit Director which summarised the matters discussed at the dedicated Military Housing control and compliance committee; this management committee is chaired by the Chief Financial Officer and includes senior leaders from the Communities business as well as senior representatives from Group Enabling Functions.

This management committee monitors and assesses improvement activities being undertaken within the military housing business to enhance the Ethics and Compliance programme and internal controls, and considers the results of relevant audit and assurance reviews to assess the strength of the control environment.

In addition, the independent compliance monitor, appointed by the US Department of Justice to review improvement actions in the military housing business, presented to the Committee in July, outlining the progress of her work and initial findings. The Committee also regularly assesses the progress of the actions being undertaken to address the recommendations in the monitor's first report.

## Financial Reporting Council

During 2023, the Committee was made aware that the FRC's Audit Quality Review Team (AQRT) would be reviewing KPMG's audit of the Group's 2022 financial statements as part of its annual inspection of audit firms. The Committee received and reviewed the final report from the FRC in November 2023 and discussed the findings with KPMG's new lead audit partner. The Committee was satisfied that the matters raised by the AQRT were appropriately incorporated into the 2023 external audit plan.

## The Audit and Risk Committee's role in ensuring the financial statements taken as a whole are fair, balanced and understandable

As part of the Committee's assessment as to whether the annual financial statements provide a 'fair, balanced and understandable' view, the Committee has oversight of and reviews the effectiveness of the following processes implemented by management:

- › comprehensive guidance issued to all contributors;
- › verification of the factual content of the financial statements;
- › review of the disclosures made by the contributors to each section; and
- › comprehensive reviews by senior management to ensure consistency and overall balance.

In addition to the above, the Committee also undertakes a review to determine if the entire financial statements are representative of the Group's performance in the year and challenges management on the overall balance of the report prior to recommending approval of the financial statements to the Board.



## Report of the Audit and Risk Committee continued

### External auditor

#### Rotation and reappointment

The Company's external auditor is KPMG LLP. KPMG's appointment was first approved by shareholders at the 2016 AGM, following an audit tender process in 2015. KPMG replaced Deloitte, the incumbent for the preceding 14 years.

Pursuant to the provisions of the Revised Ethical Standard 2019 (as summarised below), the Company has adopted a policy that no external auditor, appointed following the implementation of the Revised Ethical Standard 2019, can remain in post for longer than 20 years. The Company has adopted a policy that the Committee will lead an audit tender process every 10 years and that this will apply to the current incumbent, KPMG. Consequently, the next external audit tender is anticipated to take place following the completion of KPMG's audit for the year ended 31 December 2025.

The Committee considers that the external auditor relationship is appropriate and productive and the Committee is satisfied with KPMG's effectiveness. The Committee considers annually the need to conduct an earlier formal tender process, where this may be required for audit quality or independence reasons. Provided the results of the annual external audit review are satisfactory, KPMG is recommended for reappointment at the AGM. There are no contractual obligations in place that restrict the Group's choice of statutory auditor.

Mike Barradell completed his first year as lead audit partner for the year ended 31 December 2023 having replaced Paul Sawdon. The external auditor is required to rotate the lead partner every five years – such changes are planned carefully to ensure business continuity, whilst avoiding the introduction of undue risk of inefficiencies.

The key aspects of the Revised Ethical Standard 2019 include the following:

- › audit firms should have a maximum tenure of 10 years, although the UK Government proposes to allow an extension of:
  - » up to an additional 10 years where a public tender is carried out after 10 years; or
  - » by up to an additional 14 years where more than one audit firm is appointed to carry out the audit;
- › audit firms are prohibited from providing certain non-audit services;
- › where permitted non-audit services are provided by a group's auditor, they will be subject to a fees cap; and
- › restrictions within any contract limiting a group's choice of auditor are prohibited.

The disclosures provided within this report constitute the Company's statement of compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

#### Independence

A formal review of the external auditor's independence is conducted by the Committee annually. The most recent review took place in March 2024, when the Committee considered a letter submitted by KPMG which sets out:

- › any relationships that bear on its objectivity and independence and the safeguards implemented to address any consequent threats to independence; and
- › considerations related to the provision of non-audit services, including a comparison for the prior year (further detail below).

Following review of this letter, the Committee satisfied itself that KPMG remained sufficiently independent in accordance with the relevant professional ethical standards.

#### Non-audit work

The Company maintains a Non-Audit Services Policy governing the provision of non-audit services. The policy sets out:

- › specific services that the external auditor is prohibited from providing to the Group;
- › details of any characteristics that could potentially make a service prohibited; and
- › a requirement for the Chief Financial Officer to approve non-prohibited services where the fee is below £50,000, and for the Chair of the Audit and Risk Committee to approve non-prohibited services where the fee exceeds £50,000.

KPMG also operates its own internal policy that prohibits it from providing non-audit services, other than one closely related to an audit, to any FTSE 350 company.

These provisions help to safeguard the external auditor's objectivity and independence, and mitigate the risk that the external auditor will:

- › audit its own work;
- › make management decisions on behalf of the Group;
- › act as advocate for the Group; and/or
- › create a mutuality of interest with the Group.

In accordance with the policy for the provision of non-audit services, and in line with the Financial Reporting Council's ethical standards, the aggregated spend on non-audit services with the external auditor must not exceed 60% of the Group audit fee, unless exceptional circumstances exist, with a three-year rolling average not exceeding 70% of the Group audit fee.

### EXTERNAL AUDITOR ROTATION AND REAPPOINTMENT

#### 2001 – 2014

- › Deloitte incumbent external auditor

#### 2015 – 2016

- › Audit tender process conducted; KPMG appointed as external auditor at 2016 AGM

#### 2023

- › KPMG lead audit partner, Paul Sawdon, replaced by Mike Barradell for the 31 December 2023 audit

#### 2026

- › Next scheduled audit tender process, per Company policy

During 2023, there were fees of £0.5 million (2022: £0.8 million) paid to KPMG for non-audit services. 2023 non-audit services provided by KPMG primarily related to the review of the Group's half year results.

Audit fees for 2023 were £5.1 million (2022: £4.1 million). Further details are included in Note 6.2 on page 201.

69% of non-audit related work provided by international accounting firms in 2023 was carried out by firms other than KPMG.

### Effectiveness

As part of the Committee's annual cycle of activities, the Committee conducts an effectiveness review of the external auditor, assesses the appropriateness of the external audit plan, and assesses the external auditor's professional scepticism. From this review, recommendations for improvement are identified and communicated to the external auditor where necessary. Committee members meet privately with the external auditor and management throughout the year in order to gain feedback to support these assessments.

## Risk management and internal control

The Board assumes ultimate responsibility for the effective management of risk and internal control across the Group. However, the Committee assists the Board in monitoring the Group's internal financial controls, and internal control and risk management systems, and monitoring and reviewing the work and effectiveness of the Internal Audit function.

### Internal Audit

The Internal Audit function plays an integral role in the Company's governance structure, providing independent assurance and advice to help the Group achieve its strategic priorities. The half yearly internal audit plans were approved by the Committee in May, August and November 2023 when it also assessed the adequacy of the budget and resources. Each audit plan is based on risk, strategic priorities and consideration of the strength of the control environment. The Committee monitors progress against the plan and reviews the results of internal audit reports during each meeting. Management is responsible for ensuring that issues raised in internal audit reports are addressed within the agreed timetable and their timely completion is reviewed by the Committee. Where internal or external circumstances give rise to an increased level of risk, the audit plan is modified accordingly.

The effectiveness of the Internal Audit function is assessed by the Committee by evaluating internal audit reports and at meetings without management present. The Committee also reviewed the resources and skills of the Internal Audit function and concluded that they are appropriate for its activities. Accordingly, the Committee is satisfied that the quality, experience and expertise of the Internal Audit function is appropriate for the business.

### Internal control and risk

Details of the Group's internal controls and risk management framework are set out more fully on pages 91 to 95 in the Strategic report and pages 132 and 133 in the Governance report. The Group's principal risks are set out on pages 96 to 103.

The Committee has evaluated the effectiveness of the internal control systems operated within the Group pursuant to the FRC's guidance on internal control. The evaluation covered:

- › all material financial, operational and compliance controls;
- › management confirmation reports;
- › reports on controls;
- › reports on fraud perpetrated against the Group;
- › the Group's approach to anti-bribery and corruption and whistleblowing; and
- › reports from both the Internal Audit function and the external auditor.

The review did not identify any significant weaknesses in the system of internal control and risk management.

### Whistleblowing and fraud

Throughout 2023 the Committee, on behalf of the Board, considered the Group's confidential reporting and whistleblowing procedures and remains satisfied that these procedures are sufficiently robust and appropriate. The Committee also tracks any Speak Up reports received, and monitors any investigations undertaken and any restorative actions taken by the Group. The Committee also reviews any instances of fraud perpetrated against the Group and the action taken by management to prevent recurrences.



# Remuneration Committee



## Report of the Remuneration Committee

As Chair of the Remuneration Committee, I am pleased to present our Directors' remuneration report for the year ended 31 December 2023.

At the AGM in 2023, the Remuneration Policy was approved by over 81% of the shareholders who voted. A summary of the Policy and how this will be implemented for the year ending 31 December 2024 is set out on pages 156 to 157. The remainder of the report including the Annual Report on remuneration details how the Remuneration Policy was applied over the year ended 31 December 2023.

### Strategic and business context

As set out in this Annual Report;

- › Balfour Beatty has delivered solid financial results across its diversified portfolio in 2023, with an incremental improvement in underlying financial results from earnings-based businesses during challenging economic conditions.
- › The principal markets in which Balfour Beatty operates are showing signs of continued growth and the Group's longer-term outlook remains positive giving the Board confidence in Balfour Beatty's continued ability to deliver profitable managed growth and sustainable cash generation.
- › The Group has continued to make good progress in developing a culture which is inclusive and supports the attraction and retention of talent. The Right to Respect programme was launched in 2023 which embeds the Balfour Beatty culture by clarifying expected behaviours and empowering colleagues to hold each other accountable. The Value Everyone UK D&I strategy and action plan continues to show steady progress with increased representation across key measures. Progress on colleague engagement and wellbeing was evidenced by a further improvement to 81% in the Group engagement score, positioning Balfour Beatty 7 percentage points above an industry average and 8 percentage points above companies of a similar size. Colleagues in the UK and US responded that they feel strong support for their wellbeing with 86% telling us they can

discuss their health and wellbeing at work and 84% saying they are treated with respect and feel the culture is inclusive.

- › Although inflation rates appear to have peaked, the impact of the elevated cost of living on colleagues continues to be a focus area for the Group and the Committee. Further details on how Balfour Beatty supports colleagues during these challenging times is included within the wider workforce section.
- › Operating in markets with tough competition for the best people, attracting and retaining talented experts and developing a strong pipeline of talent is critical for future success. In the UK, 'earn and learn' roles increased to 7.4% at 31 December 2023, exceeding the 5% target in the year marking the 10th anniversary of The 5% Club.

### Incentive outcomes for 2023

The outcomes of the Annual Incentive Plan (AIP) for the executive Directors reflected the following (with further detail provided on pages 159 to 161).

- › Stretching financial targets were set at the start of the year. In setting cash flow targets, the Committee reviewed previous targets and outperformance and incorporated additional stretch. Profit exceeded Target performance and the cash performance was very strong, exceeding the Maximum target.
- › The formulaic assessment of the AIP indicated 75.7% of maximum in respect of the financial targets for the executive Directors.
- › A number of consistent strategic business objectives were set for the executive Directors together with role-specific personal objectives. Leo Quinn and Philip Harrison performed strongly against these objectives resulting in 92% of maximum for Leo Quinn and 96% of maximum for Philip Harrison for this element.
- › In line with good practice, the Remuneration Committee reviewed the overall outcome for the executive Directors. However, despite strong safety leadership and safety metrics that are industry leading, there were two tragic fatalities in 2023. Reflecting on this the Committee, in discussion with the executive Directors,





## MEMBERSHIP

- Anne Drinkwater  
(Chair of the Committee)
- Michael Lucki
- Barbara Moorhouse

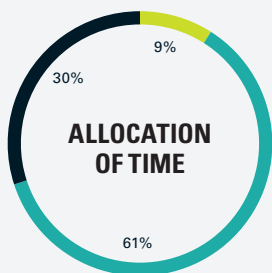
## KEY ACTIONS FROM 2023

The Committee's time in 2023 was focused on engaging shareholders around the new Remuneration Policy which was approved at the 2023 AGM and overseeing its implementation. Key actions included:

- the Remuneration Policy was implemented in alignment with business strategy and culture;
- considered ongoing developments in external corporate governance and best practice including the effective use of ESG measures within incentive arrangements;
- reviewed senior management and wider workforce demographics and remuneration, including management's response to the cost of living pressures faced by Balfour Beatty colleagues; and
- reviewed and monitored remuneration practice across the Group's operations.

## PRIORITIES FOR 2024

- Ensure the implementation of the Remuneration Policy maintains alignment with business strategy and culture.
- Further evolve the ESG measures to match delivery of the Company's sustainability strategy.
- Continue to monitor remuneration across the Group's operations to ensure alignment with, and as broader context for executive remuneration.
- Ensure remuneration is consistent with attracting, developing and retaining a diverse workforce demographic to deliver the Group's ambition.



- Remuneration Policy
- Remuneration of executive Directors and Executive Committee members
- Governance and other matters

decided to apply downward discretion to the safety element of the strategic business and personal objectives for both executive Directors, reducing the overall scoring for strategic business and personal objectives for Leo Quinn and Philip Harrison to 84% and 88% respectively. Further detail is included in the AIP metrics and outcomes section on page 159.

- Following this adjustment, 77.8% of maximum is to be paid to Leo Quinn and 78.8% of maximum to Philip Harrison for the AIP. In line with the Policy, 50% of the pay-out will be deferred into shares for three years.
- Leo Quinn has continued to show strong leadership demonstrated by the performance against the strategic business and personal objectives. In particular, he has led the activities to develop an inclusive culture across the Group through improved engagement, diversity and the launch of the 'Right to Respect' campaign in the UK. Further details of Leo Quinn's strategic business and personal objectives are set out on page 160.
- Philip Harrison has also demonstrated strong leadership across the business. In particular, he has successfully completed a replacement revolving credit facility with extended tenor. He has also led the successful agreement with the Balfour Beatty Pension Fund trustees in respect of the latest triennial valuation. Further details of Philip Harrison's strategic business and personal objectives are set out on page 161.
- Leo Quinn and Philip Harrison have led the development of carbon reduction targets, with plans submitted to the Science Based Targets initiative.

The performance conditions relating to the 2021 PSP awards measured performance over the three years ended 31 December 2023. TSR performance over the period was above upper quartile and the maximum of both operating cash flow and EPS were exceeded. This results in these awards vesting in full. In assessing the appropriateness of this outcome, the Remuneration Committee considered the overall performance of the Company over the performance period together with shareholder experience, and considered the outcome reflective of the strong achievement.

## Remuneration for 2024

On 1 July 2023, in line with the normal salary review date, the Committee awarded a circa. 4% increase to the Group Chief Executive and Chief Financial Officer, lower than the average for the wider workforce in 2023.

At the annual review on 1 July 2023, non-executive Directors' base fees and the Group Chair's fee were also increased by circa. 4% and Committee Chair and SID fees by circa. 4%. The next review date is 1 July 2024.

No changes are proposed to the structure of the performance measures to be used in the AIP for 2024. It will continue to be based on challenging profit before tax (50%), Group total cash flow (25%) and strategic business and personal objectives (25%). These objectives will be disclosed in the 2024 Remuneration report and include measurable objectives aligned to delivering on our Environmental, Social and Governance (ESG), people and quality business objectives. The executive Directors will be able to earn a maximum bonus of 150% of base salary.

The PSP awards to be granted in 2024 will be based on the achievement of three performance measures: EPS (33.3%); Operating Cash Flow (33.3%); and TSR relative to the FTSE 250 excluding investment trusts (33.3%). The Committee is satisfied that the balance of measures remains appropriate and supports the Company's business strategy. The Group Chief Executive will be granted a PSP award over shares worth 200% of base salary and the Chief Financial Officer 175% of base salary.

The Remuneration Committee will continue to be mindful of the importance of setting appropriately stretching targets for both the AIP and PSP to ensure that the incentive out-turns are commensurate with the performance delivered, wider stakeholder experience and the long-term sustainable success of the Group. Given the commercial sensitivity, the 2024 AIP targets will be disclosed on a retrospective basis in the 2024 Remuneration report. The EPS and Operating Cash Flow targets for the 2024 PSP awards are disclosed on page 156.



SCAN TO READ THE TERMS OF REFERENCE

## ROLES AND RESPONSIBILITIES OF THE COMMITTEE

The terms of reference of the Remuneration Committee are available on the Company's website.

The Committee's terms of reference were reviewed during the year to ensure compliance with the Code.



## Report of the Remuneration Committee continued

### Shareholder engagement

In the autumn of 2023, I held meetings with shareholders representing approximately 13% of the Company's share capital. The meetings covered a wide range of topics, including: further feedback on the new Remuneration Policy and its implementation; the importance of relevant and challenging financial targets; a desire to maintain measurable targets within the ESG arena; the Real Living Wage and how Balfour Beatty manages cost of living challenges; the value of clear and descriptive narrative for strategic objectives; and the importance of D&I in the recruitment and career progression of colleagues.

### Wider workforce remuneration

In addition to the executive Directors, the Committee reviewed both the level and structure of remuneration for the members of the Executive Committee, with a focus on alignment with strategy and culture. The Committee receives regular updates on wider workforce pay and takes these into account when reviewing executive and senior management remuneration.

The main salary review for the wider workforce for the UK (excluding some collective agreements) was effective from 1 January 2023, at a time when inflation rates had reached a peak in the prior quarter before falling progressively during 2023. A total budget of 6% was established for 2023 with 5% available for allocation in January 2023 in line with review guidelines (award ranges based on earnings level, performance and market positioning). This specifically included a focus on lower paid roles, with increases consolidated into base pay (rather than 'one off' payments) delivering a sustained effect on pay levels and associated benefits. During 2023, all UK employees within the January review, other than where they were part of a specific group, e.g. apprentices, were paid at or above the voluntary Real Living Wage either as part of the annual review or as part of a planned review carried out later in the year.

In addition to enabling a pay budget to best support colleagues, Balfour Beatty introduced various enhancements to UK employee benefits. During 2023, a successful financial coaching pilot was completed in the UK and elements will be incorporated into the broader benefits offering during 2024. Support for the wellbeing of colleagues across the Group has received a number of accolades in 2023. Gammon received awards for best employee engagement and corporate wellbeing strategies. In the UK,

the support plans for menopause received high praise, an improved family-friendly leave scheme was launched which increased paid leave for parents and paid leave for neonatal support was introduced.

For 2024, Balfour Beatty will be establishing a salary review budget with a continued focus on lower paid roles, applying consistent pay principles to ensure fair, equitable and market competitive pay levels, with increases consolidated into base pay. This will continue to take the voluntary Real Living Wage level into consideration when setting and implementing guidelines for pay for the UK employee categories mentioned earlier.

Balfour Beatty's UK gender pay gap narrowed slightly in 2023 compared to 2022 across both mean and median measures and shows a greater narrowing when compared to the pre-COVID-19 reporting period. We continue to build on previous analysis of the reported trends, conduct benchmarking against sector and UK reported pay gap information and enhance our understanding of the factors impacting the gender pay gap over the longer term. This informs the focused activity implemented through the Value Everyone D&I action plan which is pivotal to narrowing the gap.

The Group Chief Executive to average UK employee pay ratio reduced for 2023 compared to 2022, reflecting the fact that out-turn of the AIP in 2023 was lower when compared to 2022, and the greater proportion of executive Director pay linked to this incentive plan.

### Conclusion

We believe that implementation of the Remuneration Policy will continue to deliver a robust link between strategy, reward and performance, supporting Balfour Beatty's drive to deliver profitable managed growth and sustainable cash generation. The Company's remuneration policies have been, and will continue to be, implemented rigorously, aligned with the Group's strategic goals and culture. We hope you will support the Remuneration report at the 2024 AGM.

**Anne Drinkwater**  
Chair of the Remuneration Committee

12 March 2024



**We believe that the Remuneration Policy will continue to deliver a robust link between strategy, reward and performance, supporting Balfour Beatty's drive to deliver profitable managed growth and sustainable cash generation."**

Our full Remuneration Policy can be found within our Directors' remuneration report for the year ended 31 December 2022: [www.balfourbeatty.com/ar2022](http://www.balfourbeatty.com/ar2022)



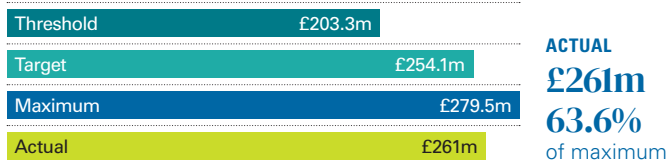
## REMUNERATION AT A GLANCE

Ahead of the Annual report on remuneration, we have summarised below the key remuneration outcomes for 2023, the key elements of the Remuneration Policy approved at the 2023 AGM and how we intend to implement it in 2024. The Committee confirms that the Remuneration Policy operated as intended throughout 2023. The full Remuneration Policy can be found in the Directors' remuneration report for the year ended 31 December 2022, available on our website.

### AIP METRICS AND OUTCOMES

Key:  
● Threshold ● Target ● Maximum ● Actual

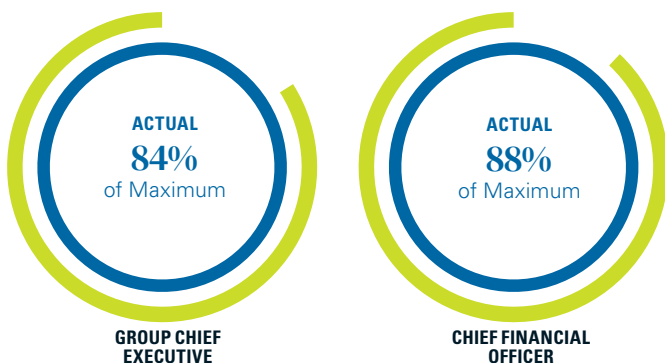
#### Profit before tax and non-underlying items



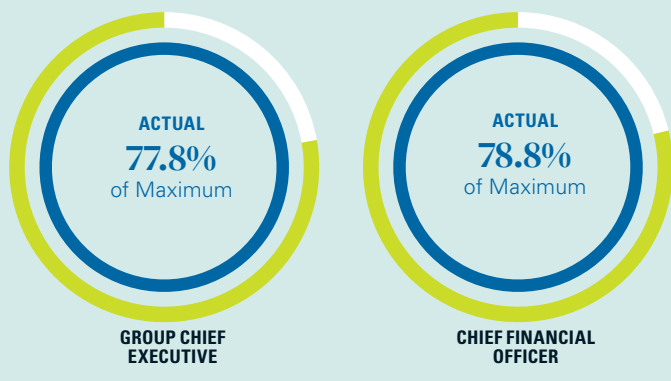
#### Group total cash flow<sup>1</sup>



#### Strategic business and personal objectives



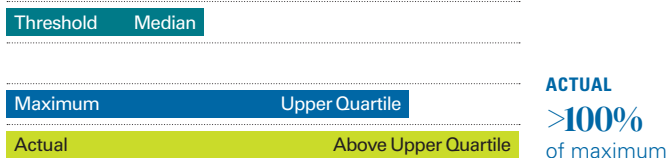
#### AIP out-turn



Governance

### PSP METRICS AND OUTCOMES

#### Total shareholder return



#### Operating Cash Flow (OCF)<sup>2</sup>



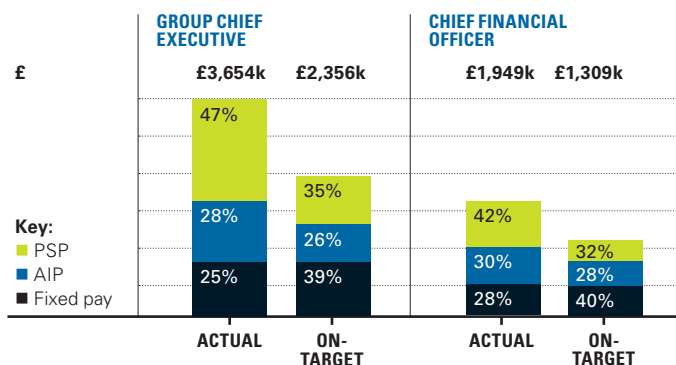
#### Earnings per share<sup>3</sup>



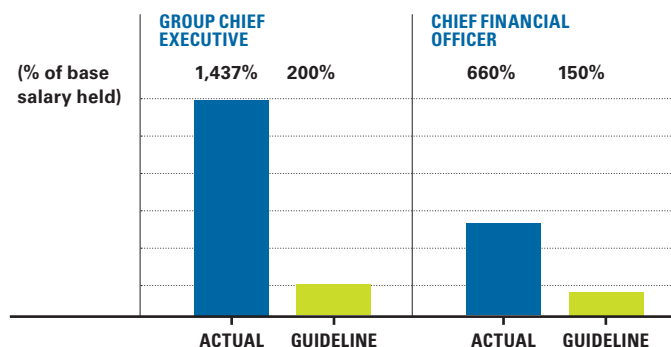
#### PSP out-turn



### EXECUTIVE DIRECTOR REMUNERATION SCENARIOS<sup>4</sup>



### EXECUTIVE DIRECTORS' SHAREHOLDING GUIDELINES<sup>5</sup>



A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section.

- Group total cash flow of £177m is the movement between opening and closing net cash adjusted for £150m share buyback.
- Operating cash flow of £310m is defined in the Measuring our financial performance section.
- Underlying basic earnings per share from continuing operations.
- Group Chief Executive's and Chief Financial Officer's remuneration scenarios are calculated on base salaries at 1 January 2023 of £828k and £480k respectively.
- In line with the Investors Association (IA) guidelines, calculations shown include shares beneficially owned at 31 December 2023 plus unvested shares which are not subject to a further performance condition, on a net of tax basis, calculated using base salary at 31 December 2023.



## Summary of the Remuneration Policy and proposed implementation in 2024

	Remuneration Policy	Our approach for 2024																				
<b>BASE SALARY</b>	<p>To attract and retain high-calibre individuals.</p> <p>To provide a competitive salary relative to comparable companies in terms of size and complexity.</p>	<p>During the year the Committee reviewed the market positioning for remuneration of the Group Chief Executive and Chief Financial Officer.</p> <p>On 1 July 2023, in line with the normal salary review date, the Committee awarded a circa. 4% increase for both the Group Chief Executive from £828k to £861.1k and the Chief Financial Officer from £480k to £499.2k, a lower increase than the average for the wider workforce.</p> <p>The next base salary review date is 1 July 2024.</p>																				
<b>PENSION AND BENEFITS</b>	<p>Executive Directors can elect for Balfour Beatty to contribute to a defined contribution pension or receive a cash equivalent that will not exceed the level of contribution available to the wider workforce.</p> <p>Benefits are provided that are appropriate to the role and which take into account typical practice, the nature and location of the role and individual circumstances.</p>	<p>The pension provision for executive Directors is aligned to the level of the wider workforce, currently 7% of base salary.</p> <p>Private medical cover is provided for executive Directors (and their immediate family) and a car or car allowance are offered.</p>																				
<b>ANNUAL INCENTIVE PLAN (AIP)</b>	<p>Bonuses are subject to the achievement of stretching key performance measures without encouraging excessive risk. Each year the Committee selects performance measures that are aligned with the Company's strategy and reflect the changing needs of the business. At least 50% is based on financial measures.</p> <p>A proportion of any bonus earned is deferred into shares to facilitate share ownership, aid retention and provide further alignment with shareholders.</p>	<p>For 2024, the AIP for the executive Directors will be a maximum bonus of 150% of base salary, based on the achievement of three performance measures:</p> <ul style="list-style-type: none"> <li>&gt; profit before tax (50%);</li> <li>&gt; cash (25%); and</li> <li>&gt; strategic business (including ESG, people and quality measures) and personal objectives (25%).</li> </ul> <p>The three elements are measured and calculated independently of each other and 50% of any bonus earned will be deferred for three years in shares.</p> <p>While the Committee has chosen not to disclose in advance the performance targets for 2024 as these include items which the Committee considers commercially sensitive, retrospective disclosure of the targets and performance against them will be presented in the Remuneration report for 2024.</p>																				
<b>LONG-TERM INCENTIVE</b>	<p>Incentivise and reward delivery of long-term performance linked to the Company's strategy and further facilitate share ownership and alignment with shareholders.</p> <p>Vesting, subject to performance, on the third anniversary of the grant followed by a two-year holding period, with a minimum of 30% based on relative total shareholder return. The balance of any award may be based on financial and/or non-financial metrics provided that at least 75% of the award is based on financial and/or TSR measures.</p>	<p>For 2024, the Group Chief Executive will be granted a Performance Share Plan (PSP) award over shares worth 200% of base salary and the Chief Financial Officer 175% of base salary.</p> <p>The PSP awards to be granted in 2024 will be based on the achievement of three performance measures EPS (33.3%), cash (33.3%) and relative TSR (33.3%).</p> <p>The TSR peer group will be FTSE 250 companies (excluding investment trusts).</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>Measure</th> <th>Threshold</th> <th>Target</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>Total shareholder return</td> <td>TSR ranking</td> <td>Median</td> <td>—</td> <td>Upper quartile</td> </tr> <tr> <td>Cash</td> <td>Operating cash flow (OCF)</td> <td>£255m</td> <td>£364m</td> <td>£414m</td> </tr> <tr> <td>EPS</td> <td>Underlying basic EPS from continuing operations</td> <td>36.5p</td> <td>—</td> <td>56.0p</td> </tr> </tbody> </table> <p>The Committee considers that the performance measures are aligned to long-term business strategy and appropriately stretching reflecting the current environment.</p>	Metric	Measure	Threshold	Target	Maximum	Total shareholder return	TSR ranking	Median	—	Upper quartile	Cash	Operating cash flow (OCF)	£255m	£364m	£414m	EPS	Underlying basic EPS from continuing operations	36.5p	—	56.0p
Metric	Measure	Threshold	Target	Maximum																		
Total shareholder return	TSR ranking	Median	—	Upper quartile																		
Cash	Operating cash flow (OCF)	£255m	£364m	£414m																		
EPS	Underlying basic EPS from continuing operations	36.5p	—	56.0p																		
<b>SHAREHOLDING GUIDELINES</b>	<p>Shareholding guidelines apply to executive Directors to align their long-term interests with those of shareholders.</p> <p>The Group Chief Executive and Chief Financial Officer must accumulate a shareholding to the value of 200% and 150% of base salary respectively (200% of base salary for all new executive Directors).</p> <p>New executive Directors will be required to hold the lower of 100% of their in-post share ownership requirement or their actual holding on departure, for two years post cessation of employment.</p>	<p>200% of base salary for the Group Chief Executive and 150% of base salary for the Chief Financial Officer.</p> <p>The post-vesting holding condition applying to PSP awards (from 2019 onwards) requires the vested shares (net of tax) to be held until the fifth anniversary of grant and will continue to apply post cessation of employment.</p>																				





## Summary of the Remuneration Policy and proposed implementation in 2024 continued

Remuneration Policy	Our approach for 2024															
<p><b>NON-EXECUTIVE DIRECTORS</b></p> <p>Fees are set at a level to attract and retain high-quality and experienced non-executive Directors.</p>	<p>The Company's approach to setting non-executive Directors' fees is by reference to fees paid at similar companies and reflects the time commitment and responsibilities of each role. At the annual review on 1 July 2023, non-executive Directors' fees were increased at a lower rate than the average for the wider workforce. The next review date is 1 July 2024.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">1 July 2022 (£)</th> <th style="text-align: right;">1 July 2023 (£)</th> </tr> </thead> <tbody> <tr> <td>Group Chair</td> <td style="text-align: right;">300,150</td> <td style="text-align: right;">312,150</td> </tr> <tr> <td>Base fee</td> <td style="text-align: right;">67,275</td> <td style="text-align: right;">69,950</td> </tr> <tr> <td>SID fee</td> <td style="text-align: right;">10,000</td> <td style="text-align: right;">10,400</td> </tr> <tr> <td>Committee Chair fee</td> <td style="text-align: right;">15,000</td> <td style="text-align: right;">15,600</td> </tr> </tbody> </table> <p>Louise Hardy also receives a fee of £10k per annum in respect of her responsibility as Workforce Engagement Lead.</p> <p>All non-executive Directors may be paid a travel allowance for intercontinental travel on Company business (excluding travel within home continent).</p>		1 July 2022 (£)	1 July 2023 (£)	Group Chair	300,150	312,150	Base fee	67,275	69,950	SID fee	10,000	10,400	Committee Chair fee	15,000	15,600
	1 July 2022 (£)	1 July 2023 (£)														
Group Chair	300,150	312,150														
Base fee	67,275	69,950														
SID fee	10,000	10,400														
Committee Chair fee	15,000	15,600														

Governance

### Alignment with provision 40 of the Corporate Governance Code

Code requirements	Our approach
<p><b>SIMPLICITY AND CLARITY</b></p> <p>Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce. Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.</p>	<p>The remuneration framework is made up of three key elements: fixed pay (including base salary, pension and benefits), annual bonus (AIP) and a separate long-term incentive (PSP).</p> <p>The framework is simple to understand for both participants and shareholders and the incentive elements are aligned to the strategic priorities for the business.</p>
<p><b>RISK</b></p> <p>Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.</p>	<p>Identified risks have been mitigated as follows:</p> <ul style="list-style-type: none"> <li>➤ variable remuneration targets are set at levels which reward high performance but which do not encourage inappropriate business risk;</li> <li>➤ deferral of part of any bonus earned under the AIP into shares and the holding period applied to any PSP award ensure variable remuneration is linked to sustainable performance and discourages short-term behaviours;</li> <li>➤ all AIP and PSP awards to executive Directors include provisions for malus and clawback; and</li> <li>➤ the Committee has the discretion to vary formulaic outcomes for incentive vesting should outcomes not reflect the underlying performance of the Company.</li> </ul>
<p><b>PREDICTABILITY</b></p> <p>The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.</p>	<p>In the 2022 Directors' Remuneration Report the potential remuneration in future periods was set out under several performance scenarios for the Group Chief Executive and the Chief Financial Officer in respect of awards to be made in 2023 under the proposed Remuneration Policy.</p> <p>The Committee is comfortable that the discretions available to it are sufficient.</p>
<p><b>PROPORTIONALITY</b></p> <p>The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.</p>	<p>A significant proportion of an executive Director's reward is linked to performance through the incentive framework, with a clear line of sight between performance and the delivery of long-term shareholder value.</p> <p>Performance measures and the underlying targets are reviewed regularly by the Committee to ensure that they are directly aligned to the Group's strategic priorities, and targets are calibrated to reward strong performance over the performance period.</p> <p>Executive Directors are required to build material shareholdings in the Company and are subject to a post-cessation shareholding requirement which will ensure that their interests are aligned to the Group's long-term performance.</p>
<p><b>ALIGNMENT TO CULTURE</b></p> <p>Incentive schemes should drive behaviours consistent with company purpose, values and strategy.</p>	<p>The Committee is focused on ensuring that the Company's Cultural Framework, with its values and behaviours, is reflected across the entire business and believes that the executive Directors are rewarded on both what they deliver and how that is delivered.</p>

## Annual report on remuneration

This part of the Remuneration report sets out how the Remuneration Policy was implemented over the year ended 31 December 2023. Details of the remuneration earned by Directors and the outcomes of incentive schemes, including details of relevant links to Company performance, are also provided in this part.

The following sections have been audited by KPMG: remuneration received by Directors for the year ended 31 December 2023 including related notes (page 158); outstanding share awards (page 163), PSP awards granted during the year (page 164); AIP awards for the year ended 31 December 2023 (page 159), AIP metrics and outcomes (pages 159 to 161), Vesting of PSP awards for the year under review (page 161), PSP metrics and outcomes (pages 161 to 162), payments to past Directors and payments for loss of office (page 164); and statement of Directors' shareholdings and share interests (page 164).

### Remuneration received by Directors for the year ended 31 December 2023

The table below sets out the Directors' remuneration for the year ended 31 December 2023 (or for performance periods ended in that year in respect of long-term incentives) together with comparative figures for the year ended 31 December 2022.

Year	Fixed pay					Variable pay					Total <sup>6</sup> £
	Base salary and fees <sup>1</sup> £	Taxable benefits <sup>2,3</sup> £	Pension cash allowance £	Sub total £	Annual incentive cash <sup>4</sup> £	Annual incentive deferred shares <sup>4</sup> £	Long-term incentives <sup>5,6</sup> £	Sub total £	Other £		
<b>Executive Directors</b>											
Philip Harrison	<b>2023</b>	<b>489,600</b>	<b>14,904</b>	<b>34,272</b>	<b>538,776</b>	<b>295,027</b>	<b>295,027</b>	<b>820,617</b>	<b>1,410,671</b>	–	<b>£1,949,447</b>
	2022	463,998	14,617	92,800	571,415	349,200	349,200	1,001,028	1,699,428	–	£2,270,843
Leo Quinn	<b>2023</b>	<b>844,550</b>	<b>20,904</b>	<b>59,118</b>	<b>924,572</b>	<b>502,452</b>	<b>502,452</b>	<b>1,724,779</b>	<b>2,729,683</b>	–	<b>£3,654,255</b>
	2022	814,000	21,218	162,800	998,018	589,950	589,950	2,226,829	3,406,729	–	£4,404,747
<b>Non-executive Directors</b>											
Charles Allen	<b>2023</b>	<b>306,150</b>	<b>15,217</b>	–	<b>321,367</b>	–	–	–	–	–	<b>321,367</b>
	2022	295,075	6,458	–	301,533	–	–	–	–	–	301,533
Stephen Billingham	<b>2023</b>	<b>83,913</b>	<b>3,394</b>	–	<b>87,307</b>	–	–	–	–	–	<b>87,307</b>
	2022	81,138	1,229	–	82,367	–	–	–	–	–	82,367
Stuart Doughty	<b>2023</b>	<b>83,913</b>	<b>7,133</b>	–	<b>91,046</b>	–	–	–	–	–	<b>91,046</b>
	2022	81,138	1,776	–	82,914	–	–	–	–	–	82,914
Anne Drinkwater	<b>2023</b>	<b>83,913</b>	<b>12,874</b>	–	<b>96,787</b>	–	–	–	–	–	<b>96,787</b>
	2022	81,138	12,706	–	93,844	–	–	–	–	–	93,844
Louise Hardy	<b>2023</b>	<b>78,613</b>	<b>4,139</b>	–	<b>82,752</b>	–	–	–	–	–	<b>82,752</b>
	2022	54,332	1,222	–	55,554	–	–	–	–	–	55,554
Michael Lucki	<b>2023</b>	<b>68,613</b>	<b>19,389</b>	–	<b>88,002</b>	–	–	–	–	–	<b>88,002</b>
	2022	66,138	12,618	–	78,756	–	–	–	–	–	78,756
Barbara Moorhouse	<b>2023</b>	<b>68,613</b>	<b>6,502</b>	–	<b>75,115</b>	–	–	–	–	–	<b>75,115</b>
	2022	66,138	3,313	–	69,451	–	–	–	–	–	69,451

1 Base salary and fees were those paid in respect of the period of the year during which the individuals were Directors.

2 Taxable benefits are calculated in terms of UK taxable values. Leo Quinn received private medical insurance for himself and his spouse and received a car allowance of £20,000 per annum. Philip Harrison received private medical insurance for himself and his spouse, and received a car allowance of £14,000 per annum. Charles Allen is eligible for a contribution to his reasonable business expenses, receiving £11,201, taxable travel expenses of £1,516 and a taxable travel allowance of £2,500.

3 The non-executive Directors received taxable travel expenses and/or travel allowances which are shown in the taxable benefits column.

4 AIP 2023: further details of these awards are set out on pages 159 to 161. For 2022, details of the AIP awards were set out in the 2022 Remuneration report.

5 For 2023, this relates to the 2021 PSP award for which the performance period ended in 2023, with the valuation of vesting shares calculated on a three-month average share price to 31 December 2023 of 319.3p. This compares to the 296.2p average middle market price for the three dealing dates before the PSP award date which was used for calculating the number of shares granted, so there is a benefit relating to share price appreciation since award of 23.1p per share and a value of £124,780 and £59,368 for Leo Quinn and Philip Harrison respectively. Further details of the 2021 PSP awards are set out on pages 161 to 162. For 2022, this relates to the 2020 PSP award for which the performance period ended in 2022, details of which were set out in the 2022 Remuneration report. For 2022, the valuation of the vesting shares for the 2020 PSP has been adjusted from the valuation included in the 2021 Remuneration report to reflect the actual valuation on the 11 June 2023 vesting date, based on a share price of 365.2p. This compares to the 262.4p average middle market price for the three dealing days before the PSP award date (which was used to calculate the number of shares granted), so there was a benefit relating to share price appreciation since award of 102.8p per share and a value of £626,829 and £281,779 for Leo Quinn and Philip Harrison respectively. For 2021, the 2019 PSP award related to the performance period ended in 2021, details of which were set out in the 2021 Remuneration report. For 2021, the valuation of the vesting shares for the 2019 PSP were adjusted from the valuation included in the 2021 Remuneration report to reflect the actual valuation on the 28 March 2022 vesting date, based on a share price of 262.2p, of £973,711 for Leo Quinn and £425,999 for Philip Harrison. This compares to the 259.8p average middle market price for the three dealing days before the PSP award date (which was used to calculate the number of shares granted), so there was a benefit relating to share price appreciation since award of 2.4p per share and a value of £8,913 and £3,899 for Leo Quinn and Philip Harrison respectively. Under the rules of the PSP, participants may receive an award of shares in lieu of the value of dividends paid over the vesting period on vested shares. For the 2020 PSP award this was 31,881 shares for Leo Quinn and 14,331 shares for Philip Harrison with a valuation of £116,429 and £52,337 respectively calculated on the share price on the 11 June 2023 vesting date.

6 Total figures and long-term incentive figures for 2022 have been adjusted from the figures included in the 2022 Remuneration report to reflect the actual valuation on 11 June 2023 vesting date of shares vesting under the 2020 PSP.

## AIP awards for the year ended 31 December 2023

For 2023, the AIP for the executive Directors was a maximum bonus of 150% of base salary based on the achievement of three performance measures:

- › profit before tax (50%);
- › cash (25%); and
- › strategic business and personal objectives (25%).

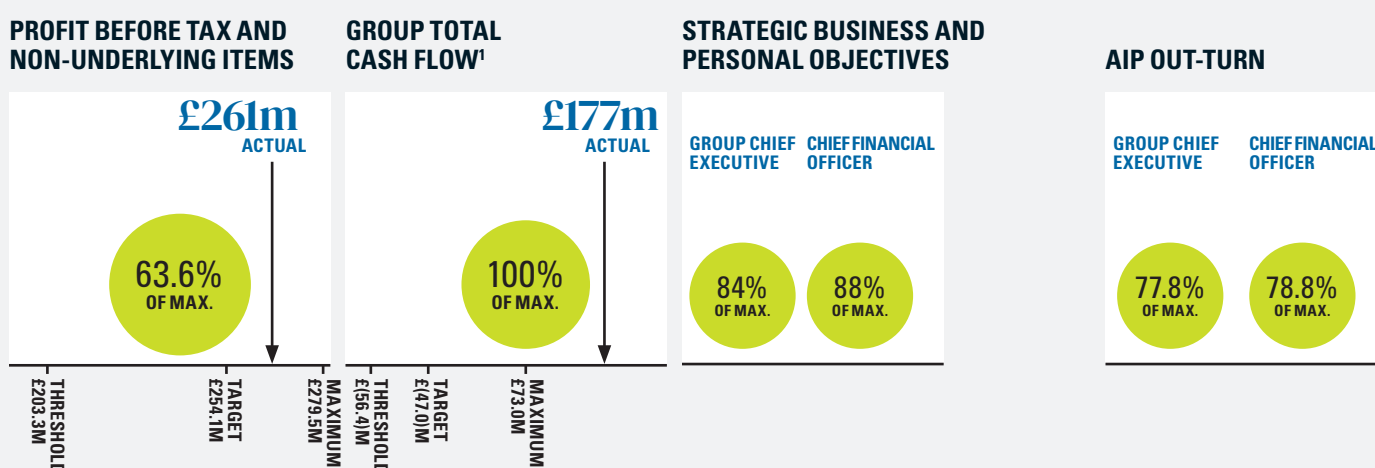
The three elements are measured and calculated independently of each other and 50% of the bonus earned is deferred for three years in the form of Balfour Beatty shares, granted subject to service conditions and not subject to further performance conditions. For the profit before tax element, 20% of the award would vest for threshold performance, increasing to 50% vesting of that element at target performance and then to 100% of that element at maximum performance or above. For the Group total cash flow element, 20% of that element would vest for threshold performance, increasing to 50% vesting of that element at target performance and then to 100% of that element at maximum performance or above.

## AIP metrics and outcomes

The formulaic assessment of the AIP against the plan targets indicated 75.7% of maximum against the financial targets for the executive Directors, with strong performance against the strategic business and personal objectives of 92% of maximum for Leo Quinn and 96% of maximum for Philip Harrison. This included a maximum score recorded against the safety objectives, reflecting the significant progress made by the business against its key leading and lagging indicators and in developing a safety culture aligned to its zero harm goals. However, despite this, there were two tragic fatalities in 2023 and reflecting on this the Committee, in discussion with the executive Directors, has decided to apply downward discretion and reduce the safety element for both Leo Quinn and Philip Harrison by 8% resulting in an adjusted strategic business and personal objectives score of 84% of maximum for Leo Quinn and 88% of maximum for Philip Harrison.

In taking this action the Committee discussed in detail the particular circumstances of the two incidents with members of the Safety and Sustainability Committee and senior leadership. This included a comprehensive review of the investigation process, the specific nature of each of the tragic incidents and any lessons learnt. The decision and scale of adjustment reflected the detailed knowledge gained through this review of each incident and was taken within the overall context of the significant improvements to the general safety performance and culture across the Group in 2023.

Following this adjustment, the final outturn of the Annual Incentive Plan is 77.8% of maximum to be paid to Leo Quinn and 78.8% of maximum to Philip Harrison.



<sup>1</sup> Group total cash flow of £177m is the movement between opening and closing total net cash adjusted for the £150m share buyback.

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section.



## Annual report on remuneration continued

### AIP metrics and outcomes continued

Performance against the 2023 AIP strategic business and personal objectives relating to the executive Directors was:

#### CEO – strategic business and personal objectives 2023

	Objective	Weight	Outcome and comments	Achievement												
<b>Environmental, Social and Governance</b>																
<b>Social value</b>	Progress towards 2030 target of £3bn social value achieved, demonstrating measurable increase in total social value generated across the UK in 2023 versus 2022.	20%	Strong progress towards long-term objective with total social value achieved increasing to £937m in 2023 versus £817m in 2022, an increase of £120m.	20%												
<b>Safety</b>	Continue to demonstrate safety leadership and improve overall safety culture and performance in 2023 versus 2022.	20%	<p>Demonstrated strong safety leadership and performance across a range of activities which have improved health, safety and wellbeing culture and performance.</p> <p>Safety performance metrics demonstrate strong, progressive performance improvements in 2023 versus 2022 across the key Group metrics, including:</p> <ul style="list-style-type: none"> <li>➤ LTIR: 0.11 (improved versus 0.15 in 2022); and</li> <li>➤ observations: 400,000 (improved versus 380,000 in 2022).</li> <li>➤ Good progress in the roll-out of a digital permitting solution across UK businesses, directly contributing to a reduction in service strikes.</li> </ul> <p>However, there were two fatalities in the UK business.</p>	12%												
<b>Environment</b>	<p>Continue to develop appropriate carbon reporting arrangements across the business.</p> <p>Submit a compliant carbon measurement methodology to Science Based Targets initiative (SBTi).</p>	20%	<p>Significant progress to create improved awareness and reporting:</p> <ul style="list-style-type: none"> <li>➤ Bridging the Gap sustainability action plan created and embedded into all operational UK business units, incorporating specific actions and recommendations;</li> <li>➤ improved carbon measurement methodology to include Scope 3 emissions with clear standards which articulate how greenhouse gas protocol is applied; and</li> <li>➤ near and long-term carbon reduction targets, along with abatement plans, submitted to the SBTi for validation.</li> </ul>	20%												
<b>People</b>	<p>Continue to develop and improve employee engagement across the Group, targeting a Group engagement index score (EIS) within upper quartile of sector peer group.</p> <p>Improve diversity of the workforce in 2023 versus 2022, promoting activities to improve inclusion.</p>	20%	<p>Group employee engagement index scores showed further improvement:</p> <ul style="list-style-type: none"> <li>➤ Group EIS increased to 81% in 2023 (versus 80% in 2022) with an increased participation rate of 77% (versus 74% in 2022); and</li> <li>➤ Group EIS participation rate and index score positioned within upper quartile versus sector and all-client peers.</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>2023</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>UK EIS</td> <td><b>78%</b></td> <td>78%</td> </tr> <tr> <td>US EIS</td> <td><b>86%</b></td> <td>84%</td> </tr> <tr> <td>HK EIS</td> <td><b>84%</b></td> <td>82%</td> </tr> </tbody> </table> <p>Steady progress against key measures with strong overall performance in the delivery of activities and processes to develop culture:</p> <ul style="list-style-type: none"> <li>➤ UK female representation increased to 20.9% in 2023 (from 20.1% in 2022) and UK minority ethnic increased to 12.4% (from 10.6% in 2022).</li> <li>➤ UK 'Right to Respect' launched, building an inclusive, safe workplace;</li> <li>➤ employees in 'earn and learn' roles increased to 7.4% at December 2023 versus the 5% target in the year marking the 10th anniversary of The 5% Club, founded by Leo Quinn; and</li> <li>➤ achieved Bronze accreditation for Clear Assured, a globally recognised inclusion standard.</li> </ul>		2023	2022	UK EIS	<b>78%</b>	78%	US EIS	<b>86%</b>	84%	HK EIS	<b>84%</b>	82%	16%
	2023	2022														
UK EIS	<b>78%</b>	78%														
US EIS	<b>86%</b>	84%														
HK EIS	<b>84%</b>	82%														
<b>Quality</b>	<p>Drive digital evolution, encouraging new opportunities leveraged from use of AI.</p> <p>Continue to accelerate high quality project completions.</p>	20%	<p>Identified and actioned series of digital and AI initiatives to improve efficiency, productivity and safety.</p> <p>Consistently focused on raising awareness and encouraging the identification of new opportunities.</p>	16%												
<b>Total</b>		100%		84%												



## AIP metrics and outcomes continued

### CFO – strategic business and personal objectives 2023

	Objective	Weight	Outcome/comments	Achievement
<b>Capital restructure</b>	Replace revolving credit facility, on improved tenor and quantum.	40%	Existing £375m facility replaced and upscaled to £475m facility with extended tenor of four years with a one year extension option.	40%
	Deliver pension triennial agreement aligned to strategy.		Agreement reached with the trustees of the Balfour Beatty Pension Fund to achieve Company cash/ balance sheet objectives and the fund's journey plan funding objectives.	
<b>Safety</b>	Improve overall safety culture and performance in 2023 versus 2022.	10%	Key member of senior management team with positive leadership in developing safety culture and performance improvement.  Safety performance metrics demonstrate strong, progressive performance across a range of health, safety and wellbeing initiatives with improvements in 2023 versus 2022 across the key Group metrics, including:  <ul style="list-style-type: none"> <li>➤ LTIR: 0.11 (improved versus 0.15 in 2022); and</li> <li>➤ observations: 400,000 (improved versus 380,000 in 2022).</li> </ul> However, there were two fatalities in the UK business.	2%
	<b>Environment</b>	Continue to develop appropriate Task Force on Climate-related Financial Disclosures (TCFD) reporting arrangements across the Group.  Improve sustainability reporting and submit a compliant carbon measurement methodology to the Science Based Targets initiative (SBTi).	10%	Led the enhancement of scenarios for measuring the financial impact of climate change on the Group.  Improved carbon measurement methodology to include Scope 3 emissions with clear standards which articulate how green house gases protocol is applied.  Near-term and long-term carbon reduction targets, along with abatement plans, submitted to the SBTi for validation.
<b>People</b>	Demonstrate further progression across the Group and specifically within the Finance function during 2023, measured against employee engagement index score in 2022.	20%	Strong performance with employee engagement index scores showing further improvement:  <ul style="list-style-type: none"> <li>➤ Group EIS increased to 81% in 2023 (versus 80% in 2022) with an increased participation rate of 77% (versus 74% in 2022);</li> <li>➤ Group EIS participation rate and index score positioned within upper quartile versus sector and all-client peers; and</li> <li>➤ EIS for the UK Finance function increased to 86% (from 84% in 2022).</li> </ul> Steady progress against key measures, promoting improved inclusion activities to develop culture:  <ul style="list-style-type: none"> <li>➤ UK female representation increased to 20.9% in 2023 (from 20.1% in 2022) and UK minority ethnic increased to 12.4% (from 10.6% in 2022).</li> </ul>	20%
	<b>Quality</b>	Maintain improvements in UK Prompt Payment Code performance on invoices paid within 60 days.  Review and improve efficiencies within site support processes	20%	Strong performance with improvement and changes including:  <ul style="list-style-type: none"> <li>➤ continued to exceed the Prompt Payment Code requirement to pay 95% of UK invoices within 60 days, with 97% achievement (H2 2023); and</li> <li>➤ re-engineered invoice gateway process to deliver improved cost efficiency in 2024.</li> </ul>
<b>Total</b>		100%		88%

### Vesting of PSP awards for the year under review

The PSP awards granted on 19 March 2021 were based on a performance period for the three years ended 31 December 2023. The performance conditions applying to one-third of each award were comparative total shareholder return measured versus the companies ranked 51–200 by market capitalisation in the FTSE All Share Index (excluding investment trusts), operating cash flow and earnings per share. 25% of each of the total shareholder return and earnings per share parts of the award would vest for threshold performance, increasing to 100% of each part of the award vesting for maximum performance or above. For the operating cash flow part, 25% of that part would vest for threshold performance, increasing to 50% vesting of that part at target performance and then to 100% of that part at maximum performance or above.

In assessing the appropriateness of the formulaic outcomes of the performance targets, the Remuneration Committee considered the underlying performance of the Group over the three-year period and, on balance, the Committee considered the vesting outcome appropriately reflected the Group's underlying performance and no discretionary adjustments were necessary. The share price used for calculating the number of shares granted for the 2021 PSP awards was broadly in line with a typical share price range, therefore the Remuneration Committee was satisfied there were no windfall gains. Details of the PSP awards vesting for the year under review are therefore as follows:

## Annual report on remuneration continued

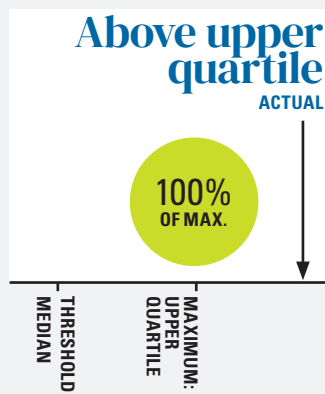
### PSP metrics and outcomes

Metric	Performance condition	Measure	Threshold	Target	Maximum	Actual	Vesting %
Total shareholder return	TSR against the 114 remaining companies ranked 51–200 in the FTSE All Share Index (excluding investment trusts)	TSR ranking	57.5 or above	–	29.3 or above	21	100%
Cash		Operating cash flow (OCF)	£104m	£149m	£167m	£310m	100%
Earnings per share		Underlying basic earnings per share from continuing operations	18.5p	–	27.7p	37.3p	100%
Total vesting							100%

Name of Director	Type of award	Vesting date	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Value of vesting shares <sup>1</sup>
Philip Harrison	2021 conditional	19 March 2024	257,005	257,005	–	820,617
Leo Quinn	2021 conditional	19 March 2024	540,175	540,175	–	1,724,779

<sup>1</sup> Valuation of vesting shares calculated on a three-month average share price to 31 December 2023 of 319.3p. This compares to the 296.2p average middle market price for the three dealing dates before the PSP award date which was used for calculating the number of shares granted, so there is a benefit relating to share price appreciation since award of 23.1p.

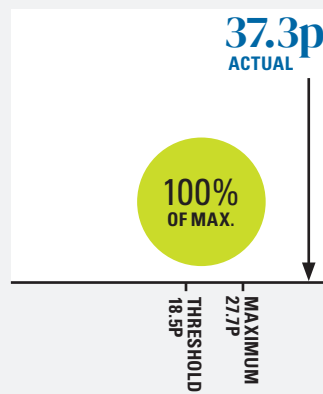
#### TOTAL SHAREHOLDER RETURN



#### OPERATING CASH FLOW (OCF)<sup>1</sup>



#### EARNINGS PER SHARE<sup>2</sup>



#### PSP OUT-TURN



<sup>1</sup> Operating cash flow of £310m is defined in the Measuring our financial performance section.

<sup>2</sup> Underlying basic earnings per share.

A reconciliation of the Group's performance measures to its statutory results is provided in the Measuring our financial performance section.



## Outstanding share awards

Name of Director	Share award	Date granted	At 1 January 2023	Maximum number of shares subject to award				Exercisable and/or vesting from
				Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2023	
Philip Harrison	PSP <sup>1,5,6</sup>	11 June 2020	274,104	–	<b>274,104</b>	–	–	11 June 2023
	PSP <sup>2,5,6</sup>	19 March 2021	257,005	–	–	–	<b>257,005</b>	19 March 2024
	PSP <sup>3,5,6</sup>	1 April 2022	302,119	–	–	–	<b>302,119</b>	1 April 2025
	PSP <sup>4,5,6,7</sup>	3 April 2023	–	<b>224,418</b>	–	–	<b>224,418</b>	3 April 2026
	DBP <sup>8,10,11</sup>	31 March 2020	143,916	–	<b>143,916</b>	–	–	31 March 2023
	DBP <sup>8,9,11,13</sup>	31 March 2021	63,620	<b>1,997</b>	–	–	<b>65,617</b>	31 March 2024
	DBP <sup>8,9,11,13</sup>	31 March 2022	113,076	<b>3,549</b>	–	–	<b>116,625</b>	31 March 2025
	DBP <sup>8,9,11,12,13</sup>	31 March 2023	–	<b>96,350</b>	–	–	<b>96,350</b>	31 March 2026
Leo Quinn	PSP <sup>1,5,6</sup>	11 June 2020	609,756	–	<b>609,756</b>	–	–	11 June 2023
	PSP <sup>2,5,6</sup>	19 March 2021	540,175	–	–	–	<b>540,175</b>	19 March 2024
	PSP <sup>3,5,6</sup>	1 April 2022	616,570	–	–	–	<b>616,570</b>	1 April 2025
	PSP <sup>4,5,6,7</sup>	3 April 2023	–	<b>442,425</b>	–	–	<b>442,425</b>	3 April 2026
	DBP <sup>8,10,11</sup>	31 March 2020	280,131	–	<b>280,131</b>	–	–	31 March 2023
	DBP <sup>8,9,11,13</sup>	31 March 2021	124,363	<b>3,903</b>	–	–	<b>128,266</b>	31 March 2024
	DBP <sup>8,9,11,13</sup>	31 March 2022	201,923	<b>6,338</b>	–	–	<b>208,261</b>	31 March 2025
	DBP <sup>8,9,11,12,13</sup>	31 March 2023	–	<b>162,779</b>	–	–	<b>162,779</b>	31 March 2026

- 2020 PSP award: This award vested in full on 11 June 2023. Details of the Company's performance against the performance conditions were set out in the 2021 Remuneration report. Philip Harrison and Leo Quinn also received 14,331 and 31,881 shares respectively in lieu of the dividends which would have been payable on the shares which vested. The closing middle market price of ordinary shares on the vesting date was 365.2p.
- 2021 PSP award: Further details of this award are set out on pages 161 to 162.
- 2022 PSP award: This award is subject to three performance targets over a three-year performance period commencing 1 January 2022. The TSR part (33.3% weighting), measured against a comparator group of companies ranked 51–200 by market capitalisation in the FTSE All Share Index (excluding investment trusts), no vesting below median ranking, 25% vesting of this part at median, rising to 100% vesting at upper quartile performance or better. No portion of the cash part (33.3%) will vest unless the 2024 operating cash flow (OCF) is greater than £130 million. 25% to 50% will vest for OCF between £130 million and £185 million, rising to full vesting for OCF of £204 million or more. For the EPS part (33.3%), no vesting unless 2024 EPS is 28.7p, 25% vesting of this part at 28.7p, rising to full vesting at 43.9p or more.
- 2023 PSP award: Details are set out on page 164.
- The average middle market price of ordinary shares in the Company for the three dealing dates before the PSP award dates, which was used for calculating the number of shares granted, was 202.3p for the award granted on 23 March 2020, 262.4p for the award granted on 11 June 2020, 296.2p for the award granted on 19 March 2021, 259.5p for the 2022 award and 374.3p for the 2023 award. The closing middle market price of ordinary shares on the date of the awards was 197.3p, 259.0p, 298.0p, 256.8p and 371.2p respectively.
- All PSP awards are granted for nil consideration and are in respect of 50p ordinary shares in Balfour Beatty plc. It is the Company's current intention that awards will be satisfied by shares purchased in the market.
- A maximum of 2,625,626 conditional shares were awarded for all participants in the PSP in 2023, which are exercisable on 3 April 2026.
- All DBP awards are granted for nil consideration and are in respect of 50p ordinary shares in Balfour Beatty plc. It is the Company's current intention that awards will be satisfied by shares purchased in the market.
- The DBP awards made on 31 March 2021, 31 March 2022 and 31 March 2023 will vest on 31 March 2024, 31 March 2025 and 31 March 2026 respectively, providing the participant is still employed by the Group at the vesting date (unless specified leaver conditions are met, in which case early vesting may be permitted).
- The DBP awards made on 31 March 2020 vested on 31 March 2023. The closing middle market price of ordinary shares in the Company on the vesting date was 372.4p.
- The shares subject to the DBP awards made on 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023 were purchased at average prices of 216.9p, 300.8p, 261.3p and 373.8p respectively.
- On 31 March 2023, for all participants in the DBP, a maximum of 752,862 conditional shares were awarded which will normally be released on 31 March 2026.
- On 5 July 2023 and 5 December 2023 a further 43,046 conditional shares and 22,638 conditional shares were granted in lieu of entitlements to the final 2022 and interim 2023 dividend respectively for all participants in the DBP. These shares were allocated at prices of 340.4p and 329.8p respectively.
- The closing market price of the Company's ordinary shares on 31 December 2023 was 331.2p. During the year, the highest and lowest closing market prices were 393.4p and 295.4p respectively.

## Annual report on remuneration continued

### PSP awards granted during the year

On 3 April 2023, the following PSP awards were granted to executive Directors:

Executive	Type of award	Basis of award granted	Share price applied at date of grant	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting determined by performance over three years to	Vesting date
Philip Harrison	Conditional	175% of salary of £480,000	374.3p	224,418	£840,000	25%	31 December 2025	3 April 2026
Leo Quinn	Conditional	200% of salary of £828,000	374.3p	442,425	£1,656,000	25%	31 December 2025	3 April 2026

Awards will vest to executives after three years, subject to the achievement of three independently measured performance conditions as set out below:

Metric	Performance condition	Threshold	Target	Maximum
One-third relative TSR	Relative TSR against the constituents of the FTSE 250 Index (excluding investment trusts); straight-line vesting between points	Median (25% vests)	–	Upper quartile (100% vests)
One-third cash	Group operating cash flow from continuing operations; straight-line vesting between points	£242m (25% vests)	£346m (50% vests)	£396m (100% vests)
One-third EPS	Group EPS; straight-line vesting between points	33.0p (25% vests)	–	50.7p (100% vests)

For these PSP awards, a post-vesting holding period will apply requiring the shares (net of tax) to be retained for two years.

### Payments to past Directors and payments for loss of office

There were no payments to past executive Directors or payments for loss of office made during 2023.

### Statement of Directors' shareholdings and share interests

The interests of the Directors and connected persons (including, amongst others, members of the Director's immediate family) in the share capital of Balfour Beatty plc and its subsidiary undertakings during the year are set out below:

Directors	Beneficially owned at 1 January 2023 <sup>1,2</sup>	Beneficially owned at 31 December 2023 <sup>2,3,4</sup>	Outstanding PSP awards	Outstanding DBP awards
Philip Harrison	619,271	846,886	783,542	278,592
Leo Quinn	2,983,726	3,470,498	1,599,170	499,306
Charles Allen	100,000	100,000		
Stephen Billingham	44,375	44,495		
Stuart Doughty	4,550	7,325		
Anne Drinkwater	4,500	4,500		
Louise Hardy	–	–		
Michael Lucki	–	–		
Barbara Moorhouse	4,000	4,000		

1 Or date of appointment, if later.

2 Includes any shares held in the Company's all-employee Share Incentive Plan.

3 Or date of stepping down from the Board, if earlier.

4 As at 12 March 2024, the latest practicable date prior to the date of this report, there had been no changes to the above.

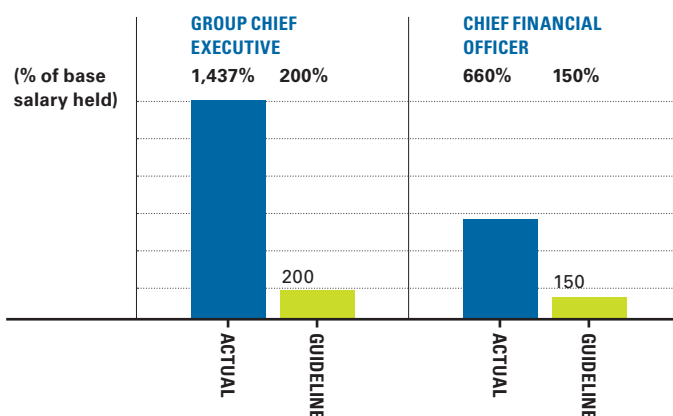
The closing market price of the Company's ordinary shares as at 31 December 2023, 331.2p, was used to calculate the value of shares for the purposes of the executive Directors shareholding guidelines on page 164.

### Executive Directors' shareholding guidelines

The Group Chief Executive and Chief Financial Officer are required under the Company's shareholding guidelines to hold shares in the Company worth 200% and 150% of base salary respectively and must retain no fewer than 50% of the shares, net of taxes, vesting under their outstanding DBP and PSP awards until the required shareholding is met.

In line with the Investors Association guidelines, the calculations shown in the chart include shares beneficially owned at 31 December 2023 plus unvested shares, which are not subject to a further performance condition (outstanding DBP awards), on a net of tax basis. Both executive Directors' share interests met the Company's shareholding guidelines at 31 December 2023.

### EXECUTIVE DIRECTORS' SHAREHOLDING GUIDELINES

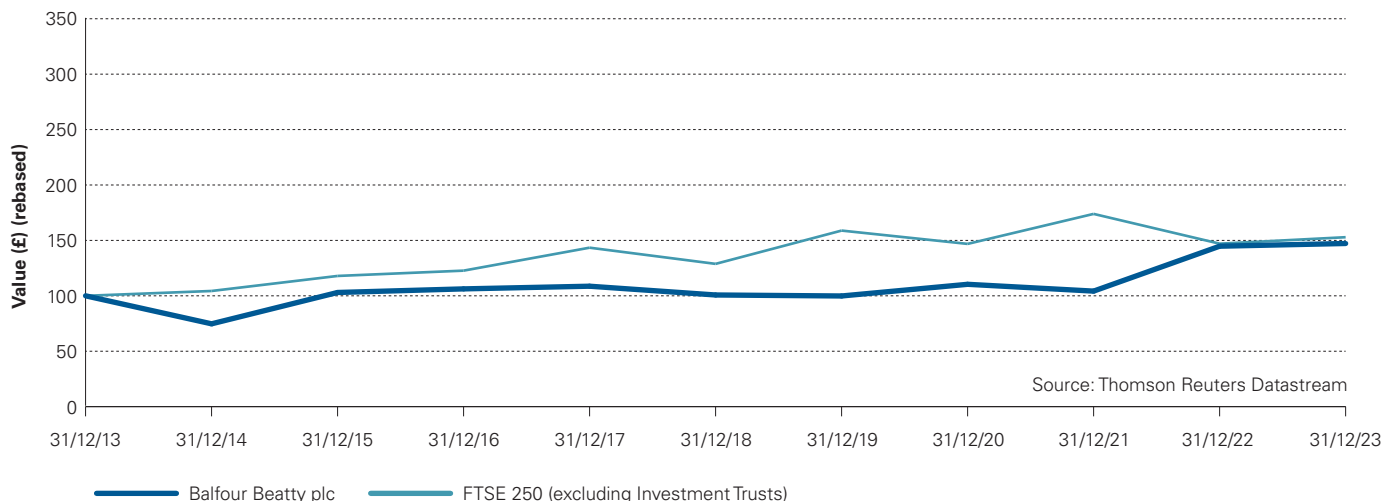




## Performance graph

As in previous reports, the Remuneration Committee has chosen to compare the TSR on the Company's ordinary shares against the FTSE 250 Index (excluding investment trusts) principally because this is a broad index of which the Company is a constituent member. The values indicated in the graph show the share price growth plus reinvested dividends from a £100 hypothetical holding of ordinary shares in Balfour Beatty plc and in the index and have been calculated using 30-day average values.

### Total shareholder return (TSR)



## Group Chief Executive's remuneration table

The total remuneration figures for the Group Chief Executive during each of the last 10 financial years are shown in the table below. The total remuneration figure includes the AIP award based on that year's performance and the PSP award based on the three-year performance period ending in the relevant year. The AIP payout and PSP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total remuneration <sup>1,3,4</sup>	£797,568	£1,442,070	£1,445,250	£4,124,104	£2,982,121	£3,066,624	£2,254,806	£2,942,943	£4,404,747	<b>£3,654,255</b>
AIP (%) <sup>2</sup>	0%	47.0%	47.5%	97.0%	69.06%	96.25%	59.25%	85%	95%	<b>77.8%</b>
PSP (%)	0%	0%	0%	88.6%	64.17%	60.92%	33.33%	60.3%	100%	<b>100%</b>

1 The figure for 2014 is an annualised figure for Andrew McNaughton who stepped down on 3 May 2014. The figures from 2015 onwards relate to Leo Quinn.

2 Andrew McNaughton did not qualify for any 2014 AIP.

3 Total remuneration for 2022 has been adjusted from the total figure included in the 2022 Remuneration report to reflect the actual valuation on the 11 June 2023 vesting date of shares vesting under the 2020 PSP.

4 The figures for 2017 and 2018 exclude the vesting of awards made under the recruitment terms for the Group Chief Executive. Full details of these were included in the 2018 Remuneration report.

## Percentage change in Directors' remuneration compared with all UK employees

The table below shows the percentage change in the remuneration of the Directors undertaking the roles of Group Chief Executive and Chief Financial Officer and the non-executive Directors between the financial years, compared with the percentage increase for the same years for all UK employees of the Group where UK employees have been selected as the most appropriate comparator. Charles Allen was not a Director until 13 May 2021 and therefore his percentage change between 2021 and 2022 is shown in the table on an annualised basis. Louise Hardy was not a Director until 1 April 2022 and therefore the percentage change between 2022 and 2023 is also shown on an annualised basis.

## Annual report on remuneration continued

### Percentage change in Directors' remuneration compared with all UK employees continued

	% change between 2022 and 2023				% change between 2021 and 2022			
	Base salary	Benefits	Annual bonus	Total remuneration	Base salary	Benefits	Annual bonus	Total remuneration
Leo Quinn, Group Chief Executive	4%	(57)%	(15)%	(17)%	2%	2%	16%	9%
Philip Harrison, Chief Financial Officer	6%	(54)%	(16)%	(14)%	5%	4%	22%	14%
Charles Allen, Group Chair	4%	(38)%	–	7%	31%	2,930%	–	34%
Stephen Billingham, Senior Independent Director	3%	176%	–	6%	2%	817%	–	3%
Stuart Doughty, non-executive Director	3%	302%	–	10%	2%	13%	–	2%
Anne Drinkwater, non-executive Director	3%	1%	–	3%	3%	1,802%	–	18%
Louise Hardy, non-executive Director	45%	239%	–	49%	–	–	–	–
Michael Lucki, non-executive Director	4%	54%	–	12%	3%	–	–	22%
Barbara Moorhouse, non-executive Director	4%	96%	–	8%	3%	198%	–	6%
All UK employees	5%	–	(5)%	5%	7%	13%	11%	7%

	% change between 2020 and 2021				% change between 2019 and 2020			
	Base salary	Benefits	Annual bonus	Total remuneration	Base salary	Benefits	Annual bonus	Total remuneration
Leo Quinn, Group Chief Executive	3%	3%	43%	21%	(3)%	(3)%	(38)%	(22)%
Philip Harrison, Chief Financial Officer	11%	8%	57%	30%	(2)%	1%	(39)%	(22)%
Charles Allen, Group Chair	–	–	–	–	–	–	–	–
Stephen Billingham, Senior Independent Director	6%	(42)%	–	6%	(1)%	(29)%	–	(1)%
Stuart Doughty, non-executive Director	6%	77%	–	7%	(1)%	(52)%	–	(2)%
Anne Drinkwater, non-executive Director	5%	(87)%	–	(1)%	6%	(12)%	–	5%
Louise Hardy, non-executive Director	–	–	–	–	–	–	–	–
Michael Lucki, non-executive Director	7%	(100)%	–	(9)%	(3)%	(39)%	–	(10)%
Barbara Moorhouse, non-executive Director	7%	(5)%	–	7%	(3)%	34%	–	(2)%
All UK employees	(2)%	5%	122%	0%	0%	3%	(44)%	0%

**Note:** Benefits for non-executive Directors relate to taxable travel expenses and/or travel expenses which are shown in the taxable benefits column of the remuneration received by Directors for the year ended 31 December 2023 table on page 158. The reported percentage increases in benefits in 2022 from 2021 have been impacted significantly by COVID-19 restrictions on travel in 2021.

**Note:** In response to the COVID-19 pandemic, the executive Directors and non-executive Directors took a voluntary 20% reduction in salary/fees in April and May 2020.

### Pay ratio of Group Chief Executive to average employee

The Regulations require certain companies to disclose the ratio of the Chief Executive's pay, using the amount set out in the single total figure table, to that of the median, 25th and 75th percentile total remuneration of full-time equivalent UK employees.

The table below shows the relevant data for Balfour Beatty's UK employees for 2023, together with the 2022, 2021, 2020 and 2019 data, calculated using Option A as set out in the legislation.

Year	Method of calculation adopted	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
		(Group Chief Executive: UK employees)	(Group Chief Executive: UK employees)	(Group Chief Executive: UK employees)
2023	Option A	98:1	69:1	50:1
2022	Option A	115:1	81:1	59:1
2021	Option A	84:1	57:1	40:1
2020	Option A	64:1	45:1	32:1
2019	Option A	92:1	65:1	45:1

## Pay ratio of Group Chief Executive to average employee continued

Pay details for the Group Chief Executive and individuals whose 2023 remuneration is at the median, 25th percentile and 75th percentile amongst UK-based employees are as follows:

	Group Chief Executive	25th percentile	Median	75th percentile
Salary	£861,100 <sup>1</sup>	£29,913	£40,405	£57,000
Total pay and benefits	£3,654,255	£37,243	£53,321	£73,057

<sup>1</sup> Group Chief Executive base salary at 31 December 2023.

The median, 25th percentile and 75th percentile figures used to determine the above ratios were calculated by reference to the full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) of all UK-based employees of the Group as at 31 December 2023 (i.e. 'Option A' under the Regulations). The Committee selected this calculation methodology as it was felt to produce the most statistically accurate result.

The Committee considers that the median pay ratio for 2023 that is disclosed in the above table is consistent with the pay, reward and progression policies for Balfour Beatty's UK employees taken as a whole. It reflects the fact that a greater proportion of executive Director pay is linked to annual performance through a higher annual incentive plan opportunity (a percentage of which is subject to deferral into shares) and a long-term incentive plan. The reduction in the pay ratios for 2023 when compared to 2022 reflect the lower out-turn of the AIP in 2023 when compared to 2022.

## Relative importance of spend on pay, dividends and underlying pre-tax profit

The following table shows the Company's actual spend on pay for all Group employees relative to dividends and underlying pre-tax profit:

	2022	2023	% change
Staff costs (£m) <sup>1</sup>	1,259	<b>1,318</b>	5%
Dividends (£m)	58	<b>58</b>	–
Underlying pre-tax profit (£m)	291	<b>261</b>	(10)%

<sup>1</sup> Staff costs include base salary, benefits and bonuses for all Group employees (excluding joint ventures and associates).

## Directors' pension allowances

No Directors were contributing members of the Balfour Beatty Pension Fund during 2023. The executive Directors were in receipt of a cash allowance in lieu of pension equivalent to 7% of base salary, in line with the wider workforce, as disclosed in the Directors' remuneration table on page 158.

## External appointments of executive Directors

At the discretion of the Board, executive Directors are allowed to act as non-executive Directors of other companies and retain any fees relating to those posts. Philip Harrison was appointed a non-executive director and chair of the audit committee of Dowlais Group plc in April 2023.

## Service contracts

Executive Directors' contracts are on a rolling 12-month basis and are subject to 12 months' notice when terminated by the Company and six months' notice when terminated by the Director.

The current non-executive Directors, including the Chairman, do not have a service contract and their appointments, whilst for a term of three years, may be terminated with three months' notice (six months' notice for the Group Chair) by either party. All non-executive Directors have letters of appointment and their appointment and subsequent re-appointment is subject to annual approval by shareholders.

Name	Commencement date	Unexpired term remaining
Leo Quinn, Group Chief Executive	1 January 2015	Terminable on 12 months' notice
Philip Harrison, Chief Financial Officer	1 June 2015	Terminable on 12 months' notice
Charles Allen, Group Chair	13 May 2021	Fixed term expiring on 12 May 2024 (subject to renewal) and terminable on six months' notice
Stephen Billingham, non-executive Director and Senior Independent Director	1 June 2015	Fixed term expiring on 31 May 2024 (subject to renewal) and terminable on three months' notice
Stuart Doughty, non-executive Director	8 April 2015	Fixed term expiring on 7 April 2024 (subject to renewal) and terminable on three months' notice
Anne Drinkwater, non-executive Director	1 December 2018	Fixed term expiring on 30 November 2024 (subject to renewal) and terminable on three months' notice
Louise Hardy, non-executive Director	1 April 2022	Fixed term expiring on 31 March 2025 (subject to renewal) and terminable on three months' notice
Michael Lucki, non-executive Director	1 July 2017	Fixed term expiring on 30 June 2026 (subject to renewal) and terminable on three months' notice
Barbara Moorhouse, non-executive Director	1 June 2017	Fixed term expiring on 31 May 2026 (subject to renewal) and terminable on three months' notice
Gabrielle Costigan, non-executive Director	8 March 2024	Fixed term expiring on 7 March 2027 (subject to renewal) and terminable on three months' notice
Robert MacLeod, non-executive Director	8 March 2024	Fixed term expiring on 7 March 2027 (subject to renewal) and terminable on three months' notice



## Annual report on remuneration continued

### Consideration by the Directors of matters relating to Directors' remuneration

The members of the Remuneration Committee are independent non-executive Directors, as defined under the Corporate Governance Code. No member of the Committee has conflicts of interest arising from cross-directorships and no member is involved in the day-to-day executive management of the Group. During the year under review, the members of the Committee were as follows:

- › Anne Drinkwater (Committee Chair);
- › Michael Lucki; and
- › Barbara Moorhouse.

The Committee also receives advice from several sources, namely:

- › the Group Chief Executive and the Group HR Director, who are invited to attend meetings of the Committee but are not present when matters relating directly to their own remuneration are discussed; and
- › Deloitte LLP.

At regular intervals the Committee reviews the appropriateness and independence of the advice received from remuneration consultants. As the result of a competitive tender process in 2020, Deloitte LLP was appointed as independent remuneration consultants to the Committee. Deloitte LLP is a member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration consulting in the UK.

During the year, the Committee's remuneration consultants provided a range of advice to the Committee, including:

- › analysis of market practice and corporate governance update;
- › provision of benchmark data for senior management and non-executive director remuneration;
- › assistance with the implementation of the Remuneration Policy;
- › assistance with the drafting of the remuneration report; and
- › calculation of vesting levels under the TSR element of the PSP awards.

During 2023, Deloitte LLP received fees amounting to £51,250 excluding VAT (£106,750 excluding VAT in 2022) in respect of advice given to the Committee. Deloitte also provided tax and legal services to the Group related to the operation of the Group's share plans. Other than as disclosed above, Deloitte LLP has no connection with the Company or individual Directors. The Committee is satisfied the advice provided by Deloitte LLP is independent.

### Terms of reference

During the period, the Committee has agreed a number of minor changes to be made to its terms of reference, as part of the annual review. Full terms of reference can be found in the Investors section of the Company's website at: [www.balfourbeatty.com/investors/governance/board-committees/](http://www.balfourbeatty.com/investors/governance/board-committees/).

### Statement of shareholder voting at the AGM

At the AGM on 12 May 2023, the resolution to approve the Annual report on remuneration received the following votes from shareholders:

	Total number of votes	% of votes cast
For	427,684,140	94.95%
Against	22,735,424	5.05%
Total votes cast	450,419,564	100%
Abstentions	49,049	

The resolution to approve the Remuneration Policy was also approved at the AGM on 12 May 2023 and received the following votes from shareholders:

	Total number of votes	% of votes cast
For	364,512,799	81.11%
Against	84,890,014	18.89%
Total votes cast	449,402,813	100%
Abstentions	1,065,800	

By order of the Board

**Anne Drinkwater**  
Chair of the Remuneration Committee  
12 March 2024





The Directors of Balfour Beatty plc present their report, together with the audited financial statements for the year ended 31 December 2023. For the purpose of the Financial Reporting Council's Disclosure Guidance and Transparency Rule (DTR) 4.1.8R, the Directors' report is also the Management report for the year ended 31 December 2023.

As permitted by Section 414 C(11) of the Companies Act 2006, some matters required to be included in the Directors' report have instead been included in the Strategic report. These disclosures are incorporated by reference in the Directors' report. The Strategic report can be found on pages 1 to 115.

**Corporate governance**

The Governance section on pages 116 to 168, forms part of this Directors' report.

The Company complied with all the provisions of the UK Corporate Governance Code during the year ended 31 December 2023.

**Directors and their interests**

The Directors as at 31 December 2023 were Charles Allen CBE, Leo Quinn, Philip Harrison, Dr Stephen Billingham CBE, Anne Drinkwater, Stuart Doughty CMG, Barbara Moorhouse, Michael Lucki, and Louise Hardy. Further details and individual biographies for those Directors are set out on page 121.

The interests of the Directors and their connected persons in the Company's shares (as notifiable to the Company under Article 19 of the Market Abuse Regulation) are set out on page 164.

At no time during 2023 did any of the Directors have a material interest in any contract with the Company or any of its subsidiaries.

**Listing Rule 9.8.6R(10)**

Data on the diversity of the individuals on the Board and in executive management as at 31 December 2023, as required by Listing Rule 9.8.6R(10) is set out below. The data is collated by self-disclosure from the individuals concerned. Further narrative surrounding Listing Rule 9.8.6R(9) and compliance with the targets set out can be found in the Nomination Committee report on pages 138 to 140.

**Disclosure Guidance and Transparency Rules (DTRS) 7.2.8AR**

The Company is compliant with DTRS 7.2.8AR. Further information on how the Board Diversity and Inclusion Policy has been updated to include the Board's Committees is reflected in the Nomination Committee report on page 140.

**Directors' indemnities and insurance**

The Group maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its Directors.

Qualifying third-party indemnity provisions were in force during 2023 and as at the date of this report for the benefit of certain employees who are directors of a subsidiary company.

Qualifying pension scheme indemnity provisions (as defined by Section 235 of the Companies Act 2006) were in force during the year ended 31 December 2023 for the benefit of the trustee directors of the Balfour Beatty Pension Fund.

**Articles of Association**

The Company has not adopted any special rules regarding the appointment and replacement of Directors or the amendment of the Articles of Association, other than as provided for under UK company law.

**Share capital**

Details of the share capital of the Company as at 31 December 2023, including the rights attaching to the shares, are set out in Note 31 on page 229. No shares were issued during 2023.

The powers of the Directors to issue or buy back the Company's shares are determined by the Companies Act 2006 and the Articles of Association. The Directors are authorised to issue and allot shares and to buy back shares subject to annual shareholder approval at the AGM. Such authorities were granted by shareholders at the 2023 AGM and it will be proposed at the 2024 AGM that the Directors be granted new authorities to issue, allot and buy back shares.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management	Percentage in executive management
Female	3	33.3%	0	2	18.2%
Male	6	66.7%	4	9	81.8%
Not specified/prefer not to say	0	0	0	0	0
<b>Total</b>	<b>9</b>	<b>100.0%</b>	<b>4</b>	<b>11</b>	<b>100.0%</b>

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management	Percentage in executive management
White British or other White (including minority White groups)	9	100.0%	4	11	100.0%
Mixed/multiple ethnicity groups	0	0	0	0	0
Asian/Asian British	0	0	0	0	0
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group, including Arab	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0



### Share capital continued

Under the authority provided at the 2022 AGM, the Company commenced its 2023 share buyback programme on 3 January 2023. Further authority for share buybacks was provided at the 2023 AGM and the 2023 share buyback programme was completed on 15 December 2023. Under this programme, the Company purchased 43,286,805 ordinary shares of 50 pence each, for a total consideration of £150,000,000 (exclusive of expenses) and these shares were held in treasury with no voting or dividend rights. On 20 December 2023, 43,286,805 treasury shares were cancelled, resulting in a balance of zero treasury shares held as at 31 December 2023. The Company commenced the initial tranche of its 2024 share buyback programme on 2 January 2024. As at 11 March 2024 (the latest practicable date prior to the date of this document), the Company had purchased 8,255,946 ordinary shares of 50 pence each, for a total consideration of £27,664,224 (exclusive of expenses) and these shares are held in treasury with no voting or dividend rights.

Throughout 2023, the Company's issued share capital was publicly listed on the London Stock Exchange and it remains so as at the date of this report. There are no specific restrictions on the size of a shareholding which is governed by the Articles of Association and the prevailing law. Other than in respect of shares that vest under the Company's share schemes and are subject to a two-year holding period, there are no specific restrictions on the transfer of shares which are governed by both the Articles of Association and the prevailing law. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of shares or on voting rights.

No person has special rights of control over the Company's share capital and all issued shares are fully paid. Shares held by the Balfour Beatty Employee Share Ownership Trust rank pari passu with the ordinary shares in issue and have no special rights. Voting rights and rights of acceptance of any offer relating to the shares held in this trust rest with the trustees, who may take account of any recommendation from the Company. Voting rights are not exercisable by the employees on whose behalf the shares are held in trust. Dividends are waived by the trustees in relation to the shares held in trust. Details of shares held by the Balfour Beatty Share Ownership Trust in relation to the Company's share schemes can be found in Note 32.3 on page 231.

### Major shareholders' interests

Notifications provided to the Company by major shareholders in accordance with the DTR are published via a Regulatory Information Service and on the Company's website.

The Company has been notified of the following interests in voting rights in its shares as at 31 December 2023 and as at the date of this report. Please note that percentages provided are as at the date of notification.

Shareholder	Percentage of	Percentage of
	voting rights (%)	voting rights (%)
	as at	as at
	31 December 2023	11 March 2024
Schroders plc	5.10	5.10

### Dividends

An interim dividend of 3.5 pence (2022: 3.5 pence) was paid on 5 December 2023. A final dividend of 8.0 pence per share (2022: 7.0 pence) has been recommended by the Board for shareholder approval at the 2024 AGM, giving total dividends per ordinary share of 11.5 pence for 2023 (2022: 10.5 pence). The Directors will continue to offer a Dividend Reinvestment Plan, which allows holders of ordinary shares to reinvest their cash dividends in the Company's shares through a specially arranged share dealing service.

### Branches

As the Group is an international business, there are activities operated through branches in certain jurisdictions.

### Auditor

KPMG LLP has indicated its willingness to continue as auditor to the Company and a resolution for its reappointment will be proposed at the 2024 AGM.

### Company Secretary

Tracey Wood is Company Secretary at the date of this report and was Company Secretary throughout the year ended 31 December 2023.

### Innovation, future development and research and development

Information concerning innovation, future development and research and development is set out on pages 25 and 56 and forms part of the Directors' report disclosures.

### Sustainability

A full description of the Group's approach to sustainability, including information on its community engagement programme, appears on pages 54 to 69.

### Policies

The Group's Code of Ethics and other published policies, including: Speak Up; health and safety; conflicts of interest, sustainability; sustainable procurement; social value; environment; supply chain media, PR and marketing; quality; and information security, remain in place and can be accessed on the Company's website, www.balfourbeatty.com.

### Engagement with suppliers and customers

Details of the Company's approach to stakeholder engagement, including engagement with customers and suppliers can be found on pages 28 to 31.

### Greenhouse gas emissions

Details of Balfour Beatty's greenhouse gas emissions and the actions which the Group is taking to reduce them are set out on pages 56 to 63 and form part of the Directors' report disclosures.

## Employment

The Balfour Beatty Group operates across a number of geographies and end markets. Balfour Beatty provides a Human Resources framework for promoting diversity, ethical behaviour and learning and development as well as continuing to fulfil its commitments in relation to regulation and corporate governance.

The Group provides fair and flexible employment policies and practices that respond to the different needs of its people. Information concerning employee diversity is set out on page 77 and forms part of the Directors' report disclosures. Balfour Beatty strives to provide employment, training and development opportunities for the disabled community wherever possible, does not discriminate, and is committed to supporting employees who become disabled during employment, and helping disabled employees make the best use of their skills, expertise and potential, consistent with any other employee.

The Company operates an employee Share Incentive Plan (SIP) which enables UK-based employees to acquire the Company's ordinary shares on a potentially tax-favourable basis, in order to encourage employee share ownership and provide additional alignment between the interests of employees and shareholders. Participants in the SIP are the beneficial owners of shares but not the registered owners, and the voting rights to such shares are exercised by the trustee of the SIP at the discretion of the participants.

Information concerning financial and economic factors affecting the performance of the Group and the Company's share price is available to all employees via the Company's intranet site.

Further information on how Directors have engaged with employees and how they have had regard to employee interests can be found on pages 125 to 127.

## Employees

Details on the average number of employees within the Group can be found in Note 7.1 on page 202.

## Diversity

Details on the Board's Diversity and Inclusion Policy can be found in the Nomination Committee report on page 140.

Details of the Group's approach to diversity and inclusion can be found on pages 75 to 77.

## Disclosures required under Listing Rule 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4. Details of long-term incentive plans can be found in the Summary of the Remuneration Policy and proposed implementation in 2024 on pages 156 to 157.

## Events after the reporting date

Events after the reporting date are set out in Note 39 on page 236.

## Political donations

At the 2023 AGM, shareholders granted authority, for the purposes of Part 14 of the Companies Act 2006, for the Company and its subsidiaries to make donations to political organisations up to a maximum aggregate amount of £25,000. This approval is a precautionary measure in view of the broad definition of these terms in the Companies Act. No such expenditure or donations were made during 2023 and shareholder authority will be sought again at the 2024 AGM.

In the US, corporate political contributions totalling US\$2,500 (£1,961.25) were made to a Political Action Committee during 2023. These contributions are not covered by Part 14 of the Companies Act 2006. Any such contributions or donations are tightly controlled and must be approved in advance in accordance with the Company's internal procedures and must also adhere strictly to the Company's Code of Ethics.

## Capitalised interest

Details of the Group's capitalised interest can be found in Note 15 on page 207.

## Financial instruments

The Group's financial risk management objectives and policies (including its hedging policy) and its exposure to the following risks – liquidity, foreign currency, interest rate, price and credit – are detailed in Note 40 on pages 237 to 241.

## Going concern and viability

The Group's going concern statement is detailed in Note 1 on page 189.

The Group's long-term viability statement is set out on page 104.

## Change of control provisions

The Group's bank facility and surety agreements contain provisions that, where the parties are unable to agree the implications of any change of control, on notice being given to the Group, the lenders and sureties may exercise their discretion to require prepayment of any loans or outstanding bonds and cancel all commitments under the agreement concerned.

The Group's US private placement arrangements require the Company, promptly upon becoming aware that a change of control of the Company has occurred (and in any event within 10 business days), to give written notice of such fact to all noteholders and make an offer to prepay the entire unpaid principal amount of the notes, together with accrued interest.

A number of joint venture, client contracts and contract bond agreements include provisions which become exercisable by a counterparty on a change of control. These include the right of a counterparty to request additional security and to terminate an agreement.

Some other commercial agreements, entered into in the normal course of business, include change of control provisions. The Group's share and incentive plans include usual provisions relating to change of control. There are no agreements providing for compensation for the Directors or employees on a change of control.

## Annual General Meeting

All resolutions continue to be put to a poll rather than a show of hands. Each substantially separate issue is proposed via a separate resolution and proxy forms provide for shareholders to vote for, vote against or withhold their vote on each resolution.

All Board members typically attend the AGM and are available to answer questions during the formal part of the meeting as well as being present for informal discussion over refreshments after the AGM.

The 2024 AGM will be held at The Curve, Axis Business Park, Hurricane Way, Langley SL3 8AG, United Kingdom on Thursday 9 May 2024 commencing at 10am.



### Statement of Directors as to disclosure of information to the Company's auditor

We confirm that to the best of our knowledge:

- › each of the persons who are Directors at the time when this Directors' report is approved confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and that they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- › select suitable accounting policies and then apply them consistently;
- › make judgements and estimates that are reasonable, relevant, reliable, and prudent;
- › for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- › for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- › assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- › use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Responsibility statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- › the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- › the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

**Tracey Wood**  
Group General Counsel and Company Secretary  
12 March 2024

Registered Office: 5 Churchill Place, Canary Wharf, London E14 5HU  
Registered in England and Wales, registered number 395826





## 1 Our opinion is unmodified

We have audited the financial statements of Balfour Beatty plc ("the Company") for the year ended 31 December 2023 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Company Statement of Changes in Equity, Group and Company Balance Sheets, Group Statement of Cash Flows and the related notes, including the accounting policies in Note 2. The commentary provided by the Directors on pages 182, 183, 184, 186 and 188 does not form part of the financial statements.

In our opinion:

- › the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- › the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- › the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- › the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor by the shareholders on 19 May 2016. The period of total uninterrupted engagement is for the eight financial years ended 31 December 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

## 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters unchanged from 2022, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.



2 Key audit matters: our assessment of risks of material misstatement continued

The risk	Our response
<p><b>Contract accounting</b> Construction Services segment – revenue £6,695 million (2022: £6,409m), contract assets £203 million (2022: £209m), contract liabilities (current) £506 million (2022: £550m), and loss provisions included within contract provisions (current) of £187 million (2022: £179m).</p> <p>Refer to pages 145-151 (Audit and Risk Committee report), Note 2.4 (Principal accounting policies – Revenue recognition), Note 2.27(a) (Judgements and key sources of estimation uncertainty – Revenue and margin recognition)</p>	
<p><b>Subjective estimates</b></p> <p>The recognition of revenue and margin within the Construction Services segment relies on estimates in relation to the forecast total costs of each contract. Where a contract has become, or is expected to be, loss-making, a provision is recognised using these estimates. Cost contingencies may also be included in these estimates to take account of specific uncertain risks or disputed claims against the Group arising within each contract.</p> <p>Further estimation uncertainty exists in relation to assessing the amount of variable consideration that should be included on a contract-by-contract basis for variations and claims. The Group has to estimate the amount they expect to receive and assess whether it is highly probable such that a significant reversal in the amount of cumulative revenue recognised will not occur.</p> <p>Professional standards require us to make a rebuttable presumption that the fraud risk associated with revenue recognition is a significant risk. The potential incentives and pressures to achieve bonus targets and meet profit targets could increase the risk of fraudulent revenue recognition in relation to the Construction Services segment revenue.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that contract revenue within the Construction Services segment and the related contract balances have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Group financial statements as a whole, and possibly many times that amount. Therefore, auditor judgement is required to assess whether the Directors' estimates for total forecast costs and variable consideration, and therefore the amount of revenue, margin and related contract balances recognised, fall within acceptable ranges.</p> <p>The financial statements (Note 2.27(a)) disclose the nature and the extent of the estimation uncertainty estimated by the Group.</p>	<p>We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balances is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Using a variety of quantitative and qualitative criteria we selected a sample of contracts to assess and challenge the most significant and complex contract estimates. We obtained the project review papers prepared by the Group which explained the estimates made and challenged the judgements underlying those papers with operational, legal, commercial and financial management.</p> <p>Our procedures on the contracts selected included:</p> <ul style="list-style-type: none"> <li>› <b>Historical comparisons:</b> assessing the Group's ability to accurately forecast end of life contract margins by comparing the total forecast costs and variable consideration previously recognised to final outcomes;</li> <li>› <b>Customer and subcontractor correspondence scrutiny:</b> analysing correspondence with customers and subcontractors around variations, claims to challenge the estimates of variations and claims and forecast costs made by the Group;</li> <li>› <b>Legal correspondence scrutiny:</b> analysing correspondence with lawyers and other legal advice obtained by the Group relating to variations and claims;</li> <li>› <b>Test of detail:</b> analysing the end of job forecasts and challenging the total cost estimates within the forecasts by considering the amounts already procured, the amounts still to be procured, the site and time related cost forecasts against programme and run rates, and any contingency held;</li> <li>› <b>Test of detail:</b> inspecting contracts for key clauses; identifying relevant contractual mechanisms such as pain/gain shares, disallowed costs, liquidated damages, inflation related clauses and success fees, and assessing whether these key clauses have been appropriately reflected in the amounts recognised in the financial statements;</li> <li>› <b>Site visits:</b> for certain higher risk or larger value contracts, attending in person site visits or holding video conference calls where we inspected the physical progress of the project and discussed the project with site personnel. Our own construction industry specialists attended a selection of these site visits;</li> <li>› <b>Use of our own specialists:</b> utilising our own industry specialists for certain contracts where specific risk factors were identified to assist with identifying the risks and opportunities associated with the contract and developing a range of possible outcomes for specific assumptions. This assisted us in challenging the appropriateness of revenue recognised and, where applicable, provisions held in relation to these contracts; and</li> <li>› <b>Assessing transparency:</b> considering the adequacy of the Group's disclosures around the degree of estimation uncertainty involved in recognising revenue and related contract balances in the Construction Services segment.</li> </ul> <p><b>Our results:</b></p> <p>We consider the amount of revenue and the related contract assets, contract liabilities and loss provisions recognised within the Construction Services segment to be acceptable (2022: acceptable).</p>

## 2 Key audit matters: our assessment of risks of material misstatement continued

The risk	Our response
<p><b>Recoverability of the parent Company's investment in subsidiaries</b> Investment in subsidiaries £1,745 million (2022: £1,733m)</p> <p>Refer to Note 20.2 (Investments)</p> <p><b>Low risk, high value</b> The carrying amount of the parent Company's investment in subsidiaries represents 72% of the parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.</p> <p>In particular, we have spent more time on the recoverability of the investment in Balfour Beatty Investment Holdings Limited ("BBIHL") as a value in use model has been used to support the investment's carrying amount.</p>	<p>We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>▶ <b>Tests of detail:</b> comparing the carrying amount of 100% of investments (2022: 100%) with the relevant subsidiaries' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount; and</li> <li>▶ <b>Assessing subsidiary audits:</b> assessing the work performed by the subsidiary audit teams on the subsidiaries, and considering the results of that work, on those subsidiaries' profits and net assets.</li> </ul> <p>The below procedures were performed over the investment in BBIHL only:</p> <ul style="list-style-type: none"> <li>▶ <b>Our knowledge of the entity and environment:</b> critically assessing the profit from operations and long term growth rate assumptions underlying the cash flow forecast with reference to historical forecasting accuracy, and our knowledge of the entity and the sector in which it operates;</li> <li>▶ <b>Benchmarking assumptions:</b> challenging the assumptions used by the Company in the calculation of BBIHL's discount rates and the long-term growth rates by comparisons with external data sources; and</li> <li>▶ <b>Sensitivity analysis:</b> performing our own sensitivity analysis over BBIHL's value in use, including a reasonably possible reduction in assumed long term growth rates and profit from operations and consideration of the possible impacts of current economic uncertainty, to identify the most sensitive disclosures.</li> </ul> <p><b>Our results:</b> We found the Company's conclusion that there is no impairment of its investment in subsidiaries to be acceptable (2022: acceptable).</p>

## 3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £22.0m (2022: £20.0m), determined with reference to a benchmark of Group revenue of which it represents 0.28% (2022: 0.26%).

We consider total revenue to be the most appropriate benchmark due to the focus on revenue by investors and the differing nature of the investments business (an asset-based business) compared to the contracting businesses (profit orientated entities). Whilst the contracting businesses are focused on profit measures, there has been significant volatility in recent years which has impacted the Group's profit before tax without any reduction in the scale of the contracting businesses. In setting our materiality, we have also given consideration to the Group's profit before tax normalised for a range of factors including contract write-downs.

Materiality for the parent Company financial statements as a whole was set at £18.0m (2022: £18.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.75% (2022: 0.48%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £16.5m (2022: £15m) for the Group and £13.5m (2022: £13.5m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £1.1m (2022 £1.0m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's fifteen (2022: fourteen) reporting components, we subjected six (2022: six) to full scope audits for Group purposes and five (2022: four) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. For two (2022: two) components, the specified audit procedures were performed over revenue and other contract accounting related balances, including contract assets and liabilities and any contract provisions. For one (2022: one) component, the specified audit procedures were performed over expenses and cash; for two (2022: one) components, the specified procedures were performed over cash.

For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.



**3 Our application of materiality and an overview of the scope of our audit** continued

The components within the scope of our work accounted for the percentages illustrated below

**GROUP REVENUE**



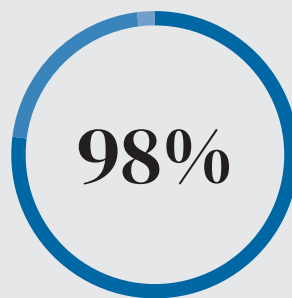
- Full scope audit 90% (2022: 90%)
- Specified risk-focused procedures 9% (2022: 9%)
- Out of scope 1% (2022: 1%)

**GROUP PROFIT BEFORE TAX**



- Full scope audit 66% (2022: 80%)
- Specified risk-focused procedures 28% (2022: 16%)
- Out of scope 6% (2022: 4%)

**GROUP TOTAL ASSETS**



- Full scope audit 77% (2022: 71%)
- Specified risk-focused procedures 21% (2022: 28%)
- Out of scope 2% (2022: 1%)

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £1.6m to £14.0m (2022: £1.6m to £12.0m), having regard to the mix of size and profile of the Group across the components. The work on eight of the eleven in-scope components (2022: seven of the ten in-scope components) was performed by the component auditors and the rest, including the audit of the parent Company, was performed by the Group audit team.

The Group audit team visited four (2022: three) overseas component audit teams in the US and Hong Kong, and four (2022: three) UK component audit teams to assess the audit risk and strategy. Video and telephone conference meetings were also held with all component auditors regularly. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal controls over financial reporting.

**4 The impact of climate change on our audit**

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements.

The Group has set out in its Strategic Report its ambition to go Beyond Net Zero Carbon by 2040 and other climate-related targets, as well as the potential climate risks to the Group.

As stated in Note 1 to the financial statements, whilst the Group has set these targets and considered the climate risks identified in the TCFD disclosure, the Directors do not believe that there is a material impact on the financial reporting judgements and estimates from these matters as at 31 December 2023.

As a part of our audit, we have performed a risk assessment, including enquiries of management, to understand how the impact of commitments made by the Group in respect of climate change, as well as the physical or transition risks of climate change, may affect the financial statements and our audit. We also held discussions with our own climate change professionals to challenge our risk assessment. There was no impact of this on our key audit matters.

We did not identify any significant risk in the current period of climate change having a material impact on the Group's significant accounting estimates. For contract accounting, as well as contract provisions, this is due to a range of factors including the shorter-term nature of this estimate (the majority of contracts will substantially complete within two years of the Balance Sheet date) and contract mechanisms in place which limit risk (e.g. either where risk remains with the customer or is passed to the supply chain). For other estimates, this is due to a range of factors including the use of market-based estimates, and the nature of the estimate (retirement benefit obligations, retirement benefit assets, financial assets measured through OCI, employee and other provisions).

We have read the disclosure of climate-related information in the front half of the Annual Report and considered consistency with the financial statements and our audit knowledge.



## 5 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over the ability of the Group or the Company to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were a deterioration in contract profitability due to economic conditions, unforeseen operational challenges or commercial disputes, or a combination of these, leading to a sustained medium-term decline in profits, delays to planned disposals of PPP financial assets and delays to the start date of contracts leading to a reduction in revenue.

We also considered less predictable but realistic second order impacts, such as a unique one-off event including the financial consequences of a major health and safety breach.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the Directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- › critically assessing assumptions in the base case and downside scenarios, particularly in relation to contract profitability and its impact on forecast liquidity and covenant compliance, by comparing to historical trends, overlaying knowledge of the Group's plans based on approved budgets, as well as our knowledge of the Group and the sector in which it operates;
- › comparing past budgets to actual results to assess the Directors' track record of budgeting accurately;
- › inspecting the confirmation from the lender of the level of committed financing, and the associated covenant requirements; and
- › considering whether the going concern disclosure in Note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, and related sensitivities.

Our conclusions based on this work:

- › we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- › we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- › we have nothing material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in Note 1 to be acceptable; and
- › the related statement under the Listing Rules set out on page 90 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

## 6 Fraud and breaches of laws and regulations – ability to detect

### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- › enquiring of Directors, the Audit and Risk Committee, internal audit and compliance officers and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- › reading Board and all relevant Committee minutes;
- › considering remuneration incentive schemes (primarily the annual incentive plan) and performance targets for management and Directors; including the underlying profit from operations targets;
- › using analytical procedures to identify any unusual or unexpected relationships; and
- › using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group and the Company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to all in-scope component audit teams of relevant fraud risks identified at the Group level and requesting all component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.



### 6 Fraud and breaches of laws and regulations – ability to detect continued

#### Identifying and responding to risks of material misstatement due to fraud continued

As required by auditing standards, and taking into account possible pressures to achieve bonus targets and meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- › the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- › the risk of bias in accounting estimates such as the forecast costs and the recognition of variable consideration in relation to the Construction Services segment revenue.

Further detail in respect of the fraud risk related to revenue recognition in the Construction Services segment, including estimation of forecast costs and variable consideration, is set out in the Contract Accounting key audit matter disclosures in section 2 of this report.

However, on this audit we do not believe there is a fraud risk related to revenue recognition in the Support Services segment due to the size of its revenue and the nature of contracts operated in this segment. We also do not believe there is a fraud risk related to revenue recognition in the Infrastructure Investments segment based on the contractual nature of the segment's revenue with no significant judgement or estimation required in recognising revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- › identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or Directors and those posted to unusual accounts; and
- › assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

#### Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, environmental law, building safety, contract legislation and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## 7 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and Directors' report

Based solely on our work on the other information:

- › we have not identified material misstatements in the strategic report and the Directors' report;
- › in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- › in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- › the Directors' confirmation within the viability statement on page 104 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- › the Emerging Risks and Principal Risks disclosures on pages 95-103 describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- › the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 104 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- › the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- › the section of the Annual Report describing the work of the Audit and Risk Committee, including the significant issues that the Audit and Risk Committee considered in relation to the financial statements, and how these issues were addressed; and
- › the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.



### 8 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- › adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- › the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- › certain disclosures of Directors' remuneration specified by law are not made; or
- › we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### 9 Respective responsibilities

#### Directors' responsibilities

As explained more fully in their statement set out on page 172, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

### 10 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Mike Barradell (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

12 March 2024





## GROUP INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023			2022		
		Underlying items <sup>1</sup> £m	Non-underlying items (Note 10) £m	Total £m	Underlying items <sup>1</sup> £m	Non-underlying items (Note 10) £m	Total £m
<b>Revenue including share of joint ventures and associates</b>		<b>9,595</b>	<b>–</b>	<b>9,595</b>	8,931	–	8,931
Share of revenue of joint ventures and associates	19.2	(1,602)	–	(1,602)	(1,302)	–	(1,302)
<b>Group revenue</b>	4	<b>7,993</b>	<b>–</b>	<b>7,993</b>	7,629	–	7,629
Cost of sales		(7,581)	(12)	(7,593)	(7,202)	–	(7,202)
<b>Gross profit/(loss)</b>		<b>412</b>	<b>(12)</b>	<b>400</b>	427	–	427
Gain on disposals of interests in investments	34.2/34.3	24	–	24	–	–	–
Amortisation of acquired intangible assets	15	–	(5)	(5)	–	(6)	(6)
Other net operating (expenses)/income		(261)	–	(261)	(253)	2	(251)
<b>Group operating profit/(loss)</b>		<b>175</b>	<b>(17)</b>	<b>158</b>	174	(4)	170
Share of results of joint ventures and associates excluding gain on disposals of interests in investments		51	–	51	35	–	35
Gain on disposals of interests in investments	34.2/34.3	2	–	2	70	–	70
Share of results of joint ventures and associates	19.2	53	–	53	105	–	105
<b>Profit/(loss) from operations</b>	6	<b>228</b>	<b>(17)</b>	<b>211</b>	279	(4)	275
Investment income	8	82	–	82	50	–	50
Finance costs	9	(49)	–	(49)	(38)	–	(38)
<b>Profit/(loss) before taxation</b>		<b>261</b>	<b>(17)</b>	<b>244</b>	291	(4)	287
Taxation	11	(56)	6	(50)	(1)	1	–
<b>Profit/(loss) for the year</b>		<b>205</b>	<b>(11)</b>	<b>194</b>	290	(3)	287
<b>Attributable to</b>							
Equity holders		208	(11)	197	291	(3)	288
Non-controlling interests		(3)	–	(3)	(1)	–	(1)
<b>Profit/(loss) for the year</b>		<b>205</b>	<b>(11)</b>	<b>194</b>	290	(3)	287

1 Before non-underlying items (Notes 2.10 and 10).

	Notes	2023 Pence	2022 Pence
<b>Earnings per share</b>			
– basic	12	<b>35.3</b>	46.9
– diluted	12	<b>34.8</b>	46.3
<b>Dividends per share proposed for the year</b>	13	<b>11.5</b>	10.5



## GROUP INCOME STATEMENT CONTINUED

For the year ended 31 December 2023

### Commentary on the Group income statement\*

Total profit before taxation for 2023 was £244m (2022: £287m), which is inclusive of a non-underlying loss before tax of £17m (2022: £4m). The total profit after tax was £194m (2022: £287m).

#### Background

The Group income statement includes the majority of the Group's income and expenses for the year with the remainder being recorded within the Group statement of comprehensive income. The Group's income statement is presented showing the Group's underlying and non-underlying results separately on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group.

The income statement shows the revenue and results of continuing operations. There were no discontinued operations in either year.

#### Revenue

Revenue from operations including the Group's share of joint ventures and associates increased by 7% to £9,595m (2022: £8,931m), largely driven by an increase in Construction Services.

#### Share of results of joint ventures and associates

Joint ventures and associates are those entities over which the Group exercises joint control or has significant influence and whose results are generally incorporated using the equity method whereby the Group's share of the post-tax results of joint ventures and associates is included in the Group's operating profit.

The Group's underlying profit generated from its share of joint ventures and associates decreased to £53m (2022: £105m) primarily due to fewer disposals of Infrastructure Investments assets in 2023. The Group disposed of one asset (Moretti Apartments) resulting in an underlying gain of £2m. Refer to Note 34.2.

#### Underlying profit from operations

The underlying profit from operations for the year decreased to £228m (2022: £279m), primarily due to the reduction in profitability from the Group's share of its results from joint ventures and associates. Group underlying profit was in line with the previous year at £175m (2022: £174m).

#### Non-underlying items

Non-underlying items in 2023 comprised the amortisation of acquired intangible assets of £5m (2022: £6m) and a £12m increase in a provision recognised for rectification works to be carried out on a development in London, which was initially established in 2021 within non-underlying.

Within non-underlying tax there was a £6m credit (2022: £1m).

#### Net finance income

Net finance income of £33m increased from £12m in 2022. The increase was primarily driven by higher interest income on cash deposits of £33m (2022: £8m) and a higher net pension finance income of £12m (2022: £5m). Against these items, there was a net impairment recognised on the Group's subordinated debt and accrued interest receivable from joint ventures and associates of £8m compared to £2m in 2022.

#### Taxation

The Group's underlying profit before tax from subsidiaries of £208m (2022: £186m) resulted in an underlying tax charge of £56m (2022: £1m). The tax charge for 2022 included a £56m credit relating to the recognition of additional UK tax losses.

#### Earnings per share

Basic earnings per share were 35.3p (2022: 46.9p). Underlying basic earnings per share were 37.3p (2022: 47.5p).

\* The commentary forms part of the Chief Financial Officer's review on pages 88 to 90 and does not form part of the financial statements.



## GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

Notes	2023			2022			
	Group £m	Share of joint ventures and associates £m	Total £m	Group £m	Share of joint ventures and associates £m	Total £m	
		<b>141</b>	<b>53</b>				
			<b>194</b>	182	105	287	
<b>Profit for the year</b>							
<b>Other comprehensive (loss)/income for the year</b>							
Items which will not subsequently be reclassified to the income statement							
Actuarial (losses)/gains on retirement benefit assets/liabilities	32.1	(197)	(1)	(198)	(52)	1	(51)
Fair value revaluations of investments in mutual funds measured at fair value through OCI <sup>+</sup>	32.1	1	–	1	–	–	–
Tax on above	32.1	49	–	49	20	–	20
		<b>(147)</b>	<b>(1)</b>	<b>(148)</b>	<b>(32)</b>	<b>1</b>	<b>(31)</b>
Items which will subsequently be reclassified to the income statement							
Currency translation differences	32.1	(17)	(13)	(30)	32	23	55
Fair value revaluations – PPP financial assets	32.1	–	20	20	(3)	(124)	(127)
– cash flow hedges	32.1	–	2	2	3	29	32
– investments in mutual funds measured at fair value through OCI	32.1	–	–	–	(5)	–	(5)
Recycling of revaluation reserves to the income statement on disposal <sup>^</sup>	34.2/34.3	–	(3)	(3)	–	(3)	(3)
Tax on above	32.1	(1)	(5)	(6)	(1)	25	24
		<b>(18)</b>	<b>1</b>	<b>(17)</b>	<b>26</b>	<b>(50)</b>	<b>(24)</b>
<b>Total other comprehensive (loss)/income for the year</b>		<b>(165)</b>	<b>–</b>	<b>(165)</b>	<b>(6)</b>	<b>(49)</b>	<b>(55)</b>
<b>Total comprehensive income/(loss) for the year</b>	32.1	<b>(24)</b>	<b>53</b>	<b>29</b>	176	56	232
<b>Attributable to</b>							
Equity holders							233
Non-controlling interests							(1)
<b>Total comprehensive income for the year</b>	32.1						<b>232</b>

<sup>^</sup> Recycling of revaluation reserves to the income statement on disposal has no associated tax effect.

<sup>+</sup> Fair value revaluations of investments in mutual funds are measured at fair value through OCI and are not reclassified to the income statement on disposal. Prior year comparatives have not been re-presented.

### Commentary on Group statement of comprehensive income\*

Total comprehensive income for 2023 was £29m comprising a total profit after tax of £194m and other comprehensive loss after tax of £165m.

#### Background

The Group statement of comprehensive income is presented on a total Group basis. Other comprehensive income (OCI) is categorised into items which will affect the profit and loss of the Group in subsequent periods when the gain or loss is realised and those which will not be recycled into the income statement.

#### Items which will not subsequently be reclassified to the income statement

Actuarial movements on retirement benefit assets/liabilities are increases or decreases in the present value of the pension balances because of:

- › differences between the previous actuarial assumptions and what has actually occurred; or
- › changes in actuarial assumptions used to value the obligations.

Actuarial losses for the Group (excluding joint ventures and associates) totalled £197m in 2023 compared to a £52m loss in 2022. Refer to Note 30.

#### Items which will subsequently be reclassified to the income statement

##### Currency translation differences

The Group operates in a number of countries with different local currencies. Currency translation differences arise on translation of the balance sheet and results from the local functional currency into the Group's presentational currency, sterling.

#### Fair value revaluations – PPP financial assets

Assets constructed by PPP concession companies are classified principally as financial assets measured at fair value through OCI. In the operational phase fair value is determined by discounting the future cash flows allocated to the financial asset using discount rates based on long-term gilt rates adjusted for the risk levels associated with the assets, with market-related fair value movements recognised in OCI. During the year, gilt rates have decreased resulting in fair value gains including joint ventures and associates of £20m being taken through OCI (2022: £127m losses).

#### Fair value revaluations – cash flow hedges

Cash flow hedges are principally interest rate swaps to manage the interest rate and inflation rate risks in Infrastructure Investments' subsidiary, joint venture and associate companies which are exposed by their long-term contractual agreements. The fair value of derivatives changes in response to prevailing market conditions. During the year, SONIA movements resulted in fair value gains on the interest rate swaps of £nil (2022: £3m) within the Group's subsidiaries and £2m (2022: £29m) within the Group's joint ventures and associates being recognised in OCI.

#### Recycling of revaluation reserves to the income statement on disposal

Fair value gains and losses and currency translation differences recognised in OCI are transferred to the income statement upon disposal of the asset. £3m of gains (2022: £3m) were recycled to the income statement from OCI and included in the gain on disposal.

There is no associated tax on the amounts recycled to the income statement.

\* The commentary forms part of the Chief Financial Officer's review on pages 88 to 90 and does not form part of the financial statements.

## GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Share of joint ventures' and associates' reserves (Note 19.6) £m	Other reserves <sup>‡</sup> (Note 32.1) £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2022		345	176	1	72	144	631	7	1,376
Total comprehensive income/(loss) for the year	32.1	–	–	–	56	25	152	(1)	232
Ordinary dividends	13	–	–	–	–	–	(58)	–	(58)
Joint ventures' and associates' dividends	19.1	–	–	–	(148)	–	148	–	–
Non-controlling interests' dividends		–	–	–	–	–	–	(1)	(1)
Purchase of treasury shares	31.1	–	–	–	–	–	(151)	–	(151)
Cancellation of ordinary shares	31.1	(51)	–	51	–	–	–	–	–
Movements relating to share-based payments <sup>†</sup>		–	–	–	–	1	(16)	–	(15)
At 31 December 2022		294	176	52	(20)	170	706	5	1,383
Total comprehensive income/(loss) for the year	32.1	–	–	–	53	(17)	(4)	(3)	29
Ordinary dividends	13	–	–	–	–	–	(58)	–	(58)
Joint ventures' and associates' dividends	19.1	–	–	–	(60)	–	60	–	–
Purchase of treasury shares	31.1	–	–	–	–	–	(151)	–	(151)
Cancellation of ordinary shares	31.1	(22)	–	22	–	–	–	–	–
Movements relating to share-based payments <sup>†</sup>		–	–	–	–	4	(7)	–	(3)
Capital contribution		–	–	–	–	–	–	8	8
<b>At 31 December 2023</b>		<b>272</b>	<b>176</b>	<b>74</b>	<b>(27)</b>	<b>157</b>	<b>546</b>	<b>10</b>	<b>1,208</b>

<sup>‡</sup> Other reserves include £22m of special reserve (2022: £22m).

<sup>†</sup> Movements relating to share-based payments include £nil tax credit (2022: £2m) recognised directly within retained profits.

### Commentary on Group statement of changes in equity\*

Total equity was £1,208m at 31 December 2023.

#### Background

The Group statement of changes in equity includes the total comprehensive income/(loss) attributable to equity holders of the Company and non-controlling interests and also discloses transactions which have been recognised directly in equity and not through the income statement.

#### Dividends

The Board is recommending a final dividend of 8.0p. Dividends paid in the year comprised £39m for the final 2022 dividend 7.0p and £19m for the interim 2023 dividend 3.5p.

#### Joint ventures' and associates' dividends

Dividends of £60m (2022: £148m) were received in the year from joint ventures and associates (JVA), resulting in a transfer of this amount between JVA reserves and Group retained profits.

#### Purchase of treasury shares

In 2023 the Company commenced the third phase of its share buyback programme, which completed on 15 December 2023. The Company purchased 43.3m (2022: 52.0m) shares for a total consideration of £150m (2022: £150m) and held these in treasury with no voting rights. The purchase of these shares, together with associated fees and stamp duty amounting to £1m (2022: £1m), utilised £151m (2022: £151m) of the Company's distributable profits.

#### Cancellation of ordinary shares

On 20 December 2023, the Company cancelled the 43.3m treasury shares purchased through the 2023 phase of its share buyback programme (2022: 102.3m). This resulted in a decrease in called-up share capital of £22m and a corresponding increase in the capital redemption reserve (2022: £51m).

#### Reserves

Other reserves comprise: hedging reserves £(5)m (2022: £(4)m); PPP financial assets revaluation reserve £1m (2022: £1m); currency translation reserve £115m (2022: £132m); special reserve £22m (2022: £22m); and other reserves £24m (2022: £19m).

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Notes	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves (Note 32.2) <sup>‡</sup> £m	Retained profits £m	Total £m
At 1 January 2022		345	176	1	128	676	1,326
Total comprehensive income for the year	32.2	–	–	–	–	175	175
Ordinary dividends	13	–	–	–	–	(58)	(58)
Purchase of treasury shares	31.1	–	–	–	–	(151)	(151)
Cancellation of ordinary shares	31.1	(51)	–	51	–	–	–
Movements relating to share-based payments <sup>†</sup>		–	–	–	8	(24)	(16)
At 31 December 2022		294	176	52	136	618	1,276
Total comprehensive income for the year	32.2	–	–	–	1	265	266
Ordinary dividends	13	–	–	–	–	(58)	(58)
Purchase of treasury shares	31.1	–	–	–	–	(151)	(151)
Cancellation of ordinary shares	31.1	(22)	–	22	–	–	–
Movements relating to share-based payments <sup>†</sup>		–	–	–	12	(15)	(3)
<b>At 31 December 2023</b>		<b>272</b>	<b>176</b>	<b>74</b>	<b>149</b>	<b>659</b>	<b>1,330</b>

<sup>‡</sup> Other reserves include £22m of special reserve (2022: £22m).

<sup>†</sup> Movements relating to share-based payments include £nil tax credit (2022: £1m) recognised directly within retained profits.

\* The commentary forms part of the Chief Financial Officer's review on pages 88 to 90 and does not form part of the financial statements.





## BALANCE SHEETS

At 31 December 2023

	Notes	Group		Company	
		2023 £m	2022 £m	2023 £m	2022 £m
<b>Non-current assets</b>					
Intangible assets					
– goodwill	14	845	876	–	–
– other	15	288	292	–	–
Property, plant and equipment	16	141	104	–	–
Right-of-use assets	17	135	127	–	–
Investment properties	18	66	27	–	–
Investments in joint ventures and associates	19	389	426	–	–
Investments	20	28	40	1,745	1,733
PPP financial assets	21	24	26	–	–
Trade and other receivables	24	308	286	283	2
Retirement benefit assets	30	104	262	–	–
Deferred tax assets	29	188	176	5	2
		<b>2,516</b>	2,642	<b>2,033</b>	1,737
<b>Current assets</b>					
Inventories	22	124	114	–	–
Contract assets	23	300	300	–	–
Trade and other receivables	24	894	881	1	1,560
Cash and cash equivalents					
– infrastructure investments	27	306	19	–	–
– other	27	1,108	1,160	368	424
Current tax receivable		16	6	13	–
Derivative financial instruments	40	1	1	–	–
		<b>2,749</b>	2,481	<b>382</b>	1,984
<b>Total assets</b>		<b>5,265</b>	5,123	<b>2,415</b>	3,721
<b>Current liabilities</b>					
Contract liabilities	23	(600)	(663)	–	–
Trade and other payables	25	(1,734)	(1,595)	(591)	(2,052)
Provisions	26	(216)	(204)	–	–
Borrowings					
– non-recourse loans	27	(9)	(30)	–	–
– other	27	(104)	(173)	(58)	(218)
Lease liabilities	28	(50)	(49)	–	–
Current tax payable		(6)	(8)	–	–
		<b>(2,719)</b>	(2,722)	<b>(649)</b>	(2,270)
<b>Non-current liabilities</b>					
Contract liabilities	23	(2)	(2)	–	–
Trade and other payables	25	(122)	(141)	(274)	(3)
Provisions	26	(201)	(197)	–	–
Borrowings					
– non-recourse loans	27	(561)	(231)	–	–
– other	27	(162)	(172)	(162)	(172)
Lease liabilities	28	(93)	(83)	–	–
Retirement benefit liabilities	30	(35)	(39)	–	–
Deferred tax liabilities	29	(160)	(152)	–	–
Derivative financial instruments	40	(2)	(1)	–	–
		<b>(1,338)</b>	(1,018)	<b>(436)</b>	(175)
<b>Total liabilities</b>		<b>(4,057)</b>	(3,740)	<b>(1,085)</b>	(2,445)
<b>Net assets</b>		<b>1,208</b>	1,383	<b>1,330</b>	1,276
<b>Equity</b>					
Called-up share capital	31	272	294	272	294
Share premium account	32	176	176	176	176
Capital redemption reserve	32	74	52	74	52
Share of joint ventures' and associates' reserves	32	(27)	(20)	–	–
Other reserves	32	157	170	149	136
Retained profits	32	546	706	659	618
<b>Equity attributable to equity holders of the Parent</b>		<b>1,198</b>	1,378	<b>1,330</b>	1,276
Non-controlling interests	32	10	5	–	–
<b>Total equity</b>		<b>1,208</b>	1,383	<b>1,330</b>	1,276

On behalf of the Board

Leo Quinn  
Director

12 March 2024

Philip Harrison  
Director



## BALANCE SHEETS CONTINUED

At 31 December 2023

### Commentary on the Group balance sheet\*

Total assets of £5.3bn were 3% higher than last year and total liabilities of £4.1bn increased by 8%. Net assets decreased to £1.2bn primarily driven by the Group's actuarial losses impacting the Group's net retirement benefit assets.

#### Background

The Group's balance sheet shows the Group's assets and liabilities as at 31 December 2023 in accordance with IAS 1 Presentation of Financial Statements.

#### Goodwill

The goodwill on the Group's balance sheet at 31 December 2023 decreased to £845m (2022: £876m), solely due to foreign currency movements.

#### Investments in joint ventures and associates

Investments in joint ventures and associates have decreased by £37m to £389m. The decrease was primarily driven by dividends in the year of £60m and the disposal of Gloucester Waste of £31m offset by income recognised in the year of £53m.

#### Working capital

Net movements in working capital are discussed in the statement of cash flows commentary on page 188.

#### Borrowings

##### Borrowings excluding non-recourse loans

As at 31 December 2023, the Group had £505m of undrawn committed bank facilities, comprising a £475m sustainably linked revolving credit facility (RCF) and an additional bilateral committed bank facility of £30m. The purpose of these facilities is to provide liquidity to support Balfour Beatty's ongoing activities.

In June 2023 the Group refinanced its £375m main RCF facility, which was due to mature in October 2024, with a new £475m sustainably linked RCF provided by a set of relationship banks that has an initial maturity of June 2027. At the first anniversary of the facility (June 2024), the Group has the option to extend the maturity of the facility to June 2028, with the consent of the lending banks. The facility was undrawn at 31 December 2023.

In September 2023, the drawdown under the £30m bilateral committed facility which is also a SLL was repaid and the facility was undrawn at 31 December 2023. This facility has an initial maturity of December 2024, but the Group holds an option to extend the maturity to December 2027.

The Group has US\$208m of USPP notes outstanding, with the next maturity being US\$50m due in March 2025. The remaining USPP notes mature between 2027 and 2032, with US\$35m of notes maturing in 2027, US\$80m maturing in 2029 and US\$43m maturing in 2032, demonstrating a smooth debt maturity profile with limited refinancing risk.

##### Non-recourse loans

In addition, the Group has non-recourse facilities in companies engaged in certain infrastructure concession projects.

At 31 December 2023, the Group's share of these non-recourse net borrowings amounted to £1,362m (2022: £1,490m), comprising £1,098m (2022: £1,248m) in relation to joint ventures and associates as disclosed in Note 19.2 and £264m (2022: £242m) on the Group balance sheet in relation to subsidiaries as disclosed in Note 27.

#### Retirement benefit assets and liabilities

The Group's balance sheet includes net retirement benefit assets of £69m (2022: £223m) representing net surpluses in the Group's pension schemes, as measured on an IAS 19 basis. The movement in pension surplus in the year is primarily due to actuarial losses of £197m (2022: £52m losses), partially offset by ongoing deficit funding of £25m (2022: £41m).

Any surplus of deficit contributions would be recoverable by way of a refund as, according to the relevant trust deed and rules documents, the Group has the unconditional right to the surplus and controls the run-off of the benefit obligations once all other obligations of the schemes have been settled.

#### Other

In addition to the liabilities on the balance sheet, in the normal course of its business, the Group arranges for financial institutions to provide customers with guarantees in connection with its contracting activities, commonly referred to as bonds. These bonds provide a customer with a level of financial protection in the event that a contractor fails to meet its commitments under the terms of a contract. They are customary or mandatory in many of the markets in which the Group operates. In return for issuing the bonds, the financial institutions receive a fee and a counter-indemnity from the Company. As at 31 December 2023, contract bonds in issue by financial institutions covered £4.3bn (2022: £4.3bn) of the contract commitments of the Group.

#### Equity commitments

During 2023, the Group invested £31m (2022: £30m) in a combination of equity and shareholder loans to Infrastructure Investments' project companies and at the end of the year had committed to provide a further £90m from 2024 onwards, inclusive of £35m expected for projects at preferred bidder stage. £24m of this is expected to be invested in 2024, as disclosed in Note 41(f).

\* The commentary forms part of the Chief Financial Officer's review on pages 88 to 90 and does not form part of the financial statements.



## GROUP STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
<b>Cash flows from operating activities</b>			
Cash from operations	33.1	293	185
Income taxes paid		(8)	(17)
<b>Net cash from operating activities</b>		<b>285</b>	<b>168</b>
<b>Cash flows from investing activities</b>			
Dividends received from:			
– joint ventures and associates – infrastructure investments	19.5	24	114
– joint ventures and associates – other	19.5	36	34
– other investments	20	3	4
Interest received – infrastructure investments – joint ventures	19.5	7	10
Interest received subsidiaries:			
– infrastructure investments		4	7
– other		33	–
Acquisition of businesses	34.1	–	(3)
Purchases of:			
– intangible assets – infrastructure investments	15	(30)	(1)
– property, plant and equipment	16	(66)	(31)
– investment properties	18	(42)	–
– other investments	20	(2)	(7)
Investments in and long-term loans to joint ventures and associates	19.5	(14)	(29)
Return of equity from joint ventures and associates	19.5	4	34
PPP financial assets cash expenditure	21	(2)	(2)
PPP financial assets cash receipts	21	6	5
Disposals of:			
– investments in joint ventures – infrastructure investments	19.5	56	–
– investments in joint ventures – other	19.5	–	1
– property, plant and equipment – other		4	8
– other investments	20	12	2
<b>Net cash from investing activities</b>		<b>33</b>	<b>146</b>
<b>Cash flows used in financing activities</b>			
Purchase of ordinary shares	32.3	(18)	(25)
Purchase of treasury shares	31.1	(151)	(151)
Proceeds from new loans relating to:			
– infrastructure investments assets	33.3	336	8
– other	33.3	28	130
Repayments of loans relating to:			
– infrastructure investments assets	33.3	(8)	(7)
– other	33.3	(197)	–
Repayment of lease liabilities	28	(57)	(52)
Ordinary dividends paid	13	(58)	(58)
Other dividends paid – non-controlling interests		–	(1)
Capital contribution – non-controlling interests		8	–
Interest paid – infrastructure investments		(11)	(9)
Interest paid – other		(30)	(24)
<b>Net cash used in financing activities</b>		<b>(158)</b>	<b>(189)</b>
<b>Net increase in cash and cash equivalents</b>		<b>160</b>	<b>125</b>
Effects of exchange rate changes		(29)	55
Cash and cash equivalents at beginning of year		1,179	999
<b>Cash and cash equivalents at end of year</b>	33.2	<b>1,310</b>	<b>1,179</b>



## GROUP STATEMENT OF CASH FLOWS CONTINUED

For the year ended 31 December 2023

### Commentary on the Group statement of cash flows\*

Cash and cash equivalents increased during the year to £1,310m. The Group generated cash from operating activities in the year of £285m compared to £168m in the prior year.

#### Background

The Group statement of cash flows shows the cash flows from operating, investing and financing activities during the year.

#### Working capital

Working capital includes: inventories; contract assets and liabilities; trade and other receivables; trade and other payables; and provisions. Where the net working capital balance is in an asset position, i.e. the inventories and receivables balances are greater than the payables and provisions, this is referred to as unfavourable/positive working capital. Where this is not the case, this is referred to as favourable/negative working capital.

#### Cash used in operations

Cash inflow from operations of £293m (2022: £185m) included a profit from operations of £211m (2022: £275m), a working capital inflow of £63m (2022: £54m outflow) and the following significant adjustment items: share of results of joint ventures and associates £53m (2022: £105m); depreciation and amortisation charges £114m (2022: £111m); gain on disposal of interests in investments of £24m (2022: £nil); and pension payments including deficit funding of £28m (2022: £43m).

#### Working capital movements

The movement of the individual working capital balances on the balance sheet will not be reflective of the underlying movement of working capital due to the balance sheet being affected by foreign currency movements and disposals.

Working capital movements are disclosed in Note 33.1.

Changes in the Group's working capital position during the year resulted in a cash inflow of £63m (2022: £54m outflow). The increase in the negative working capital position was driven by a spike in the final weeks of December. The inflow reported for 2023 is not reflective of the trend observed throughout the year of average negative working capital reducing.

#### Cash flows from investing activities

The Group received dividends of £60m (2022: £148m) from joint ventures and associates during the year.

The Group continued to invest in Infrastructure Investments assets, acquiring Quarters at Tallahassee as an investment property for £42m. Construction at West Slope student accommodation project for the University of Sussex also commenced in December 2023, incurring £30m of capitalised costs in other intangible assets in the year.

The Group also continued to invest in its Infrastructure Investments joint ventures and associates, contributing £14m (2022: £29m) in the year.

The Group disposed of two infrastructure investment assets, Moretti Apartments and Gloucester Waste, earning proceeds from disposal of £61m. The £56m Gloucester Waste proceeds are included within disposals of investments in joint ventures and the £5m Moretti proceeds are included within dividends received and return of equity from joint ventures and associates.

#### Cash flows used in financing activities

On 15 December 2023 the Company completed its 2023 share buyback programme resulting in 43.3m (2022: 52.0m) shares purchased for a total consideration of £151m (2022: £151m), including associated fees and stamp duty amounting to £1m (2022: £1m).

In March 2023, the Group used the funds raised through the issue in June 2022 of US\$158m of new USPP notes and a US\$36m (£28m) drawdown under its new £30m bilateral committed facility to repay US\$209m (£169m) of its USPP notes as they matured. The US\$36m (£28m) drawdown was repaid in September 2023.

The Group has total committed bank facilities of £505m, including the £475m sustainably linked revolving credit facility (RCF) signed in June 2023. Under the terms of these sustainability linked loan (SLL) facilities, the Group is incentivised to deliver annual measurable performance improvement in three key areas: Carbon Emissions, Social Value generation and an independent Environment, Social and Governance (ESG) rating score – these areas of performance and the associated metrics are to be reviewed and updated in 2024. All committed bank facilities were undrawn at 31 December 2023.

Interest payments amounted to £41m (2022: £33m) during the year, of which £11m (2022: £9m) related to infrastructure investments, £12m (2022: £15m) related to the USPP, £6m (2022: £6m) related to the interest paid on lease liabilities and £12m (2022: £3m) related to other finance charges.

\* The commentary forms part of the Chief Financial Officer's review on pages 88 to 90 and does not form part of the financial statements.





## 1 Basis of accounting

### Going concern

The Directors consider it reasonable to assume that the Group has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

The key financial risk factors for the Group remain largely unchanged. The Group's principal risks and the consequent impact these might have on the Group as well as mitigations that are in place are detailed on pages 96 to 103.

The Group's US private placement and committed bank facilities contain certain financial covenants, such as the ratio of the Group's EBITDA to its net debt which needs to be less than 3.0 and the ratio of its EBITA to net borrowing costs which needs to be in excess of 3.0. These covenants are tested on a rolling 12-month basis as at the June and December reporting dates. At 31 December 2023, both these covenants were passed as the Group had net cash and net interest income from a covenant test perspective.

The Directors have carried out an assessment of the Group's ability to continue as a going concern for the period of at least 12 months from the date of approval of the financial statements. This assessment has involved the review of medium-term cash forecasts of each of the Group's operations. The Directors have also considered the strength of the Group's order book which amounted to £16.5bn at 31 December 2023 and will provide a pipeline of secured work over the going concern assessment period. These base case projections indicate that the headroom provided by the Group's strong cash position and the debt facilities currently in place is adequate to support the Group over the going concern assessment period.

At 31 December 2023, the Group's only debt, other than non-recourse borrowings ring-fenced within certain concession companies, comprised US private placement (USPP) notes. Of the USPP notes issued in 2013, US\$209m matured in March 2023 and the remaining US\$50m will mature in March 2025. The Group raised US\$158m in June 2022 through the issue of new USPP notes which will mature in tranches in 2027, 2029 and 2032. In December 2022, the Group secured a new £30m bilateral committed facility which was undrawn at 31 December 2023 and expires in December 2024; the Group retains an option to extend the maturity of the facility to December 2027. In March 2023, the funds raised through the new USPP notes issuance and the new bilateral committed facility were utilised towards repayment of the US\$209m USPP notes. The US\$36m drawn under the bilateral committed facility was repaid in September 2023.

The Group's £475m committed sustainability linked bank facility which was signed in June 2023, remained undrawn at 31 December 2023 and remains fully available to the Group until June 2027. At the first anniversary of the facility (June 2024), the Group has an option to extend the maturity of the facility to June 2028, with the consent of the lending banks.

The Directors have stress-tested the Group's base case projections of both cash and profit against key sensitivities which could materialise as a result of adverse changes in the economic environment including a deterioration in commercial or operational conditions. The Group has sensitised its projections against severe but plausible downside scenarios which include:

- elimination of a portion of unsecured work assumed within the Group's base case projections and a delay of six months for any awarded but not yet contracted work;
- a deterioration of contract judgements and restriction of a portion of the Group's margins; and
- delay in the disposal of Investments assets by 12 months.

In the severe but plausible downside scenarios modelled, the Group continues to retain sufficient headroom on liquidity throughout the going concern period. Through these downside scenarios, the Group is still expected to be in a net cash position and to remain within its banking covenants through the going concern assessment period.

Based on the above and having made appropriate enquiries, the Directors consider it reasonable to assume that the Group and the Company have adequate resources to continue for the going concern period and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

### Consideration of climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 105 to 115. There has been no material impact identified on the financial reporting judgements and estimates. In particular, the Directors considered the impact of climate change in respect of the following areas:

- contract judgements made on the Group's Construction Services and Support Services contracts;
- going concern and viability of the Group over the next three years;
- cash flow forecasts used in the impairment assessments of non-current assets including the Group's intangible assets such as customer contracts and goodwill;
- cash flow forecasts used in the impairment assessments of the Group's infrastructure investments assets;
- carrying value and useful economic lives of property, plant and equipment; and
- the valuation of assets held within the Group's pension schemes.

As current legislation stands, there is currently no material medium-term impact expected from climate change due to the contractual mechanisms and insurance arrangements in place. The Directors are however aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the Group's financial statements.

### Basis of preparation

The annual financial statements have been prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006 (the Act).

The financial statements have been prepared under the historical cost convention, except as described under Note 2.26. The functional and presentational currency of the Company and the presentational currency of the Group is sterling.

The separate financial statements of the Company are presented as required by the Act and have been prepared in accordance with FRS 101 Reduced Disclosure Framework. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement, related party transactions and comparative information. Where required, equivalent disclosures are given in the consolidated financial statements.

In addition to the application of FRS 101, the Company has taken advantage of Section 408 of the Act and consequently its statement of comprehensive income (including the profit and loss account) is not presented as part of these financial statements.



## 2 Principal accounting policies

### 2.1 Accounting standards

#### Adoption of new and revised standards

The following accounting standards, interpretations and amendments have been adopted by the Group in the year ended 31 December 2023:

- IFRS 17 Insurance Contracts
- Amendments to the following standards:
  - IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
  - IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
  - IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
  - IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules
  - IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

These new and amended standards did not have a material effect on the Group or the Company.

#### Accounting standards not yet adopted by the Group

The following accounting standards, interpretations and amendments have been issued by the IASB but had either not been adopted by the UK or were not yet effective in the UK at 31 December 2023:

- Amendments to the following standards:
  - IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
  - IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants
  - IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
  - IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability
  - IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The Directors do not expect the standards above to have a material effect on the Group or the Company and have chosen not to adopt any of the above standards and interpretations earlier than required.

### 2.2 Basis of consolidation

The Group financial statements include the results of the Company and its subsidiaries, together with the Group's share of the results of joint ventures and associates, drawn up to 31 December each year.

#### a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are consolidated from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the fair value of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling equity holders is stated at the non-controlling equity holders' proportion of the fair value of the assets and liabilities recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any

retained interest less direct costs of the transaction; and (ii) the previous carrying amount of the assets (including goodwill) less liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained earnings).

Any acquisition or disposal which does not result in a change in control is accounted for as a transaction between equity holders. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the fair value of the consideration paid or received and the amount by which the non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the Parent.

Accounting policies of subsidiaries are adjusted where necessary to ensure consistency with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

#### b) Joint ventures and associates

Joint ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the entity, rather than rights to its individual assets and obligations for its individual liabilities.

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control or joint control.

The results, assets and liabilities of joint ventures and associates are incorporated in the financial statements using the equity method of accounting except when classified as held for sale. The equity return from the military housing joint ventures of the Group is contractually limited to a maximum level of return, beyond which the Group does not share in any further return. Therefore the Group's investment in these projects is recognised at initial equity investment plus the value of the Group's accrued preferred return from the underlying projects.

Any excess of the fair value of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the joint venture or associate entity at the date of acquisition is recognised as goodwill. Any deficiency of the fair value of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the joint venture or associate at the date of acquisition (discount on acquisition) is credited to the income statement in the period of acquisition.

Investments in joint ventures and associates are initially carried in the balance sheet at cost (including goodwill arising on acquisition) and adjusted by post-acquisition changes in the Group's share of net assets of the joint venture or associate, less any impairment in the value of individual investments. Losses of joint ventures and associates in excess of the Group's interest in those joint ventures and associates are only recognised to the extent that the Group is contractually liable for, or has a constructive obligation to meet, the obligations of the joint ventures and associates.

Unrealised gains and losses on transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the relevant joint venture or associate.

#### c) Joint operations

The Group's share of the results, assets and liabilities of contracts carried out in conjunction with another party are included under each relevant heading in the income statement and balance sheet.

The results of a small number of joint operations are drawn up to a date other than 31 December, typically in the last two weeks of December. Adjustments are made for any significant transactions between such date and 31 December.

## 2 Principal accounting policies continued

### 2.3 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange at the reporting date. Significant exchange rates used in the preparation of these financial statements are shown in Note 3.

For the purpose of presenting consolidated financial statements, the results of foreign subsidiaries, associates and joint venture entities are translated at average rates of exchange for the year, unless the exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Assets and liabilities are translated at the rates of exchange prevailing at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of exchange at the reporting date. Currency translation differences arising are transferred to the Group's foreign currency translation reserve and are recognised in the income statement on disposal of the underlying investment.

In order to hedge its exposure to certain foreign exchange risks, the Group may enter into forward foreign exchange contracts. Refer to Note 2.26(b) for details of the Group's accounting policies in respect of such derivative financial instruments.

### 2.4 Revenue recognition

The Group recognises revenue when it transfers control over a product or service to its customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Where consideration is not specified within the contract and is therefore subject to variability, the Group estimates the amount of consideration to be received from its customer. The consideration recognised is the amount which is highly probable not to result in a significant reversal in future periods.

Where a modification to an existing contract occurs, the Group assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied by the Group or whether it is a modification to the existing performance obligation.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust its transaction price for the time value of money.

The Group's activities are wide ranging, and as such, depending on the nature of the product or service delivered and the timing of when control is passed onto the customer, the Group will account for revenue over time and at a point in time. Where revenue is measured over time, the Group uses the input method to measure progress of delivery.

Revenue is recognised as follows:

- ▶ revenue from construction and services activities is recognised over time and the Group uses the input method to measure progress of delivery;
- ▶ revenue from manufacturing activities is recognised at a point in time when title has passed to the customer; and
- ▶ dividend income in the Parent Company is recognised when the equity holders' right to receive payment is established.

### 2.5 Construction and services contracts

When the outcome of individual contracts can be estimated reliably, contract revenue is recognised by reference to the measure of progress at the reporting date using the input method. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract.

Estimates of the final out-turn on each contract may include cost contingencies to take account of the specific risks within each contract that have been identified during the early stages of the contract. The cost contingencies are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. However, the nature of the risks on contracts are such that they often cannot be resolved until the end of the project and therefore may not reverse until the end of the project. The estimated final out-turns on contracts are continuously reviewed, and in certain limited cases, recoveries from insurers are assessed, and adjustments made where necessary.

No margin is recognised until the outcome of the contract can be estimated with reasonable certainty. Provision is made for all known or expected losses on individual contracts once such losses are foreseen.

Revenue in respect of variations to contracts and incentive payments is recognised when there is an enforceable right to payment and it is highly probable it will be agreed by the customer. Variable consideration is assessed on a contract by contract basis according to the facts, circumstances and terms of each project and only recognised to the extent that it is highly probable not to significantly reverse in the future. Revenue in respect of claims is recognised only if it is highly probable not to reverse in future periods. Profit for the year includes the benefit of claims settled in the year to the extent not previously recognised on contracts completed in previous years.

### 2.6 Segmental reporting

The Group considers its Board of Directors to be the chief operating decision maker and therefore the segmental disclosures provided in Note 5 are aligned with the monthly reports provided to the Board of Directors. The Group's reporting segments are based on the types of services provided. Operating segments with similar economic characteristics have been aggregated into three reportable segments which reflect the nature of the services provided by the Group. A description of each reportable segment is provided in Note 5. Further information on the business activities of each reportable segment is set out on pages 196 to 201.

Operating segments are aggregated on the basis of the nature of the services provided and the manner in which returns are earned by the Group. Further information on the nature of services provided within each segment is included in Note 4.

Working capital is the balance sheet measure reported to the chief operating decision maker. The profitability measure used to assess the performance of the Group is underlying profit from operations.

Segment results represent the contribution of the different segments after the allocation of attributable corporate overheads. Transactions between segments are conducted at arm's-length market prices. Segment assets and liabilities comprise those assets and liabilities directly attributable to the segments. Corporate assets and liabilities include cash balances, bank borrowings, tax balances and dividends payable. Non-recourse net borrowings are directly attributable to Infrastructure Investments and therefore not included within Corporate activities.

Major customers are defined as customers contributing more than 10% of the Group's external revenue.

### 2.7 Pre-contract bid costs and recoveries

Pre-contract costs are expensed as incurred until preferred bidder status is awarded at which point further costs are capitalised as there is a high probability that the Group would be able to recover these costs. Amounts subsequently recovered in respect of pre-contract costs that have been written off before preferred bidder status was awarded are recognised in full in the income statement when they are received in cash.

### 2.8 Profit from operations

Profit from operations is stated after the Group's share of the post-tax results of equity accounted joint venture entities and associates, but before investment income and finance costs.



## 2 Principal accounting policies continued

### 2.9 Investment income and finance costs

Interest income is accrued on a time basis using the effective interest method by reference to the principal outstanding and the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Finance costs of debt, including premiums payable on settlement and direct issue costs, are charged to the income statement on an accruals basis over the term of the instrument, using the effective interest method. Finance costs also include interest cost on the discount unwind of lease liabilities and impairment of loans to joint ventures and associates and accrued interest thereon.

### 2.10 Non-underlying items

Non-underlying items are items of financial performance which the Group believes should be presented separately on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Such items will not affect the absolute amount of the results for the period and the trend of results. The Group's underlying results exclude non-underlying items.

Non-underlying items include:

- ▶ gains and losses on the disposal of businesses and investments, unless this is part of a programme of releasing value from the disposal of similar businesses or investments such as infrastructure concessions;
- ▶ costs of major restructuring and reorganisation of existing businesses;
- ▶ costs of integrating newly acquired businesses;
- ▶ acquisition and similar costs related to business combinations such as transaction costs;
- ▶ impairment and amortisation charges on intangible assets arising on business combinations (amortisation of acquired intangible assets); and
- ▶ impairment of goodwill.

These are examples, however, from time to time it may be appropriate to disclose further items as non-underlying items in order to highlight the underlying performance of the Group. Refer to Note 10.

### 2.11 Taxation

The tax charge comprises current tax and deferred tax, calculated using tax rates that have been enacted or substantively enacted by the reporting date. Current tax and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the relevant tax is also accounted for within equity. Current tax is based on the profit for the year.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax on such assets and liabilities is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Organisation for Economic Co-operation and Developments (OECD) released Pillar Two model rules in December 2021 introducing a global minimum tax rate of 15% to address the tax concerns about uneven profit distribution and tax contributions of large multinational corporations. In December 2022, the OECD released transitional safe harbour rules as a short-term measure to minimise the compliance burden for lower risk jurisdictions.

The Pillar Two top-up tax rules were substantially enacted in the UK in 2023 with application from 1 January 2024. The Group does not expect to be subject to the top-up tax in relation to its operations in any of the jurisdictions in which it operates because they fall within the OECD transitional safe harbour rules which have also been adopted by the UK. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as current tax when it is incurred.

### 2.12 Intangible assets

#### a) Goodwill

Goodwill arises on the acquisition of subsidiaries and other businesses, joint ventures and associates and represents the excess of the fair value of consideration over the fair value of the identifiable assets and liabilities acquired. Goodwill on acquisitions of subsidiaries and other businesses is included in non-current assets. Goodwill on acquisitions of joint ventures and associates is included in investments in joint ventures and associates.

Goodwill is reviewed annually for impairment and is carried at cost less accumulated impairment losses. Goodwill is included when determining the profit or loss on subsequent disposal of the business to which it relates.

Goodwill arising on acquisitions before the date of transition to IFRS (1 January 2004) has been retained at the previous UK GAAP amounts subject to being tested for impairment. Goodwill written off or discount arising on acquisition credited to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

#### b) Other intangible assets

Other intangible assets are stated at fair value or cost less accumulated amortisation and impairment losses. Amortisation charges in respect of software and Infrastructure Investments intangibles are included in underlying items.

#### c) Research and development

Internally generated intangible assets developed by the Group are recognised only if all the following conditions are met: an asset is created that can be identified; it is probable that the asset created will generate future economic benefits; and the development cost of the asset can be measured reliably.

Other research expenditure is written off in the period in which it is incurred.

### 2.13 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure associated with bringing the asset to its operating location and condition. Refer to Note 16 for further detail.

### 2.14 Investment properties

The Group classifies land and buildings which it holds to generate capital appreciation and/or to earn rental income as investment properties. The Group has chosen to state its investment properties at cost less accumulated depreciation and impairment losses. The Group depreciates its investment properties over 25 years. Land is not depreciated.





## 2 Principal accounting policies continued

### 2.15 Leasing

As a lessee, the Group assesses whether a contract is, or contains, a lease at the inception of a contract. A lease exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess if a lease exists, the Group assesses whether: (i) the contract involves the use of an identified asset; (ii) the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the lease term; and (iii) the Group has the right to direct the use of the asset. In order to determine if the contract involves the use of an identified asset, the Group exercises judgement to assess if the supplier has a substantive substitution right over the asset. An asset is not identified if it has been determined that the supplier has substantive substitution rights.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost and subsequently depreciated over the lease term. The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group has elected to apply the practical expedient which allows the Group to use a single discount rate for a portfolio of leases with similar characteristics.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of less than 12 months and leases of low value assets. Instead, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 2.16 Impairment of assets

Assets that have an indefinite useful life (such as goodwill arising on acquisitions) are reviewed at least annually for impairment. Other intangible assets, property, plant and equipment and right-of-use assets are reviewed for impairment whenever there is any indication that the carrying amount of the asset may not be recoverable.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised.

Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assessed by discounting the estimated future cash flows that the asset is expected to generate. For this purpose assets, including goodwill, are grouped into cash-generating units representing the level at which they are monitored by the Board of Directors for internal management purposes. Goodwill impairment losses are not reversed in subsequent periods. Reversals of other impairment losses are recognised in income when they arise.

### 2.17 Investments

Investments are recognised and derecognised on the trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments in mutual funds are measured at fair value. Gains and losses arising from changes in the fair value of these investments are recognised in other comprehensive income. Investments that are held until they reach maturity are measured at amortised cost.

Investments in subsidiaries are recognised and held at cost and subsequently tested for impairment on an annual basis. Where an impairment is identified, a provision for impairment is recorded against the carrying value of the investment.

### 2.18 Government grants

Government grants are recognised when there is a reasonable assurance that the Group will be able to comply with the conditions attached to the grant and that the grant will be received. Grants are recognised in the income statement on a systematic basis as a deduction from the related category of cost in the periods in which the expenses are recognised.

### 2.19 Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost includes an appropriate proportion of manufacturing overheads incurred in bringing inventories to their present location and condition and is determined using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 2.20 Trade receivables and contract retention receivables

Trade and contract retention receivables are initially recorded at fair value and subsequently measured at amortised cost as reduced by allowances for estimated irrecoverable amounts and expected credit losses.

### 2.21 Trade payables and contract retention payables

Trade and contract retention payables are not interest bearing and are stated at cost.

### 2.22 Provisions

Provisions for insurance liabilities retained in the Group's captive insurance arrangements, legal claims, defects and warranties, environmental restoration, onerous leases, and other onerous commitments are recognised at the best estimate of the expenditure required to settle the Group's liability.

Provisions are recognised when: (i) the Group has a present legal or constructive obligation as a result of a past event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount of the obligation can be estimated reliably. Provisions are discounted where appropriate.

### 2.23 Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Premiums payable on settlement or redemption and direct issue costs are included in the carrying amount of the instrument and are charged to the income statement on an accruals basis using the effective interest method together with the interest payable.

### 2.24 Retirement benefit costs

The Group, through trustees, operates a number of defined benefit and defined contribution retirement and other long-term employee benefit schemes, the largest of which are of the defined benefit type and are funded. Defined benefit contributions are determined in consultation with the trustees, after taking actuarial advice.

For defined benefit pension schemes, the cost of providing benefits recognised in the income statement and the defined benefit obligations are determined at the reporting date by independent actuaries, using the projected unit credit method. The liability recognised in the balance sheet comprises the present value of the defined benefit pension obligations, determined by discounting the estimated future cash flows using the market yield on a high-quality corporate bond, less the fair value of the scheme assets. Actuarial gains and losses are recognised in the period in which they occur in the statement of comprehensive income.

Contributions to defined contribution pension schemes are charged to the income statement as they fall due.

Any surplus or deficit contributions to the Balfour Beatty Pension Fund (BBPF) and the Railways Pension Scheme (RPS) would be recoverable by way of a refund as, according to the relevant trust deed and rules documents, the Group has the unconditional right to the surplus and controls the run-off of the benefit obligations once all other obligations of the BBPF and RPS have been settled.

### 2.25 Share-based payments

Employee services received in exchange for the grant of equity-settled and cash-settled awards are charged to the income statement on a straight-line basis over the vesting period, based on the fair values of the awards at the date of grant.



### 2 Principal accounting policies continued

#### 2.25 Share-based payments continued

The credits in respect of the amounts charged are included within separate reserves in equity for equity-settled awards or within accruals for cash-settled awards until such time as the awards are exercised, when the shares are transferred or cash payments made to employees.

#### 2.26 Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

##### a) Classification of financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### b) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to manage interest rate risk and to hedge exposures to fluctuations in foreign currencies in accordance with its risk management policy. The Group does not use derivative financial instruments for speculative purposes. A description of the Group's objectives, policies and strategies with regard to derivatives and other financial instruments is set out in Note 40.

Derivatives are initially recognised in the balance sheet at fair value on the date the derivative transaction is entered into and are subsequently re-measured at their fair values.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the income statement together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Changes in the fair value of the effective portion of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income (OCI). Changes in the fair value of the ineffective portion of cash flow hedges are recognised in the income statement. Amounts originally recognised in OCI are transferred to the income statement when the underlying transaction occurs or, if the transaction results in a non-financial asset or liability, are included in the initial cost of that asset or liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in OCI is retained in equity until the hedged transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in OCI is transferred to the income statement for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives and recorded in the balance sheet at fair value when their risks and characteristics are not closely related to those of the host contract. Changes in the fair value of those embedded derivatives recognised in the balance sheet are recognised in the income statement as they arise.

##### c) PPP concession companies

Assets constructed by PPP concession companies are classified principally as financial assets measured at fair value through OCI.

In the construction phase, income is recognised by applying an attributable profit margin to the construction costs representing the fair value of construction services performed. In the operational phase, income is recognised by allocating a proportion of total cash receivable over the life of the project to service costs by means of a deemed rate of return on those costs. The residual element of projected cash is allocated to the financial asset using the effective interest rate method, giving rise to interest income.

Due to the nature of the contractual arrangements, the projected cash flows can be estimated with a high degree of certainty.

In the construction phase, the fair value of the Group's PPP financial assets is determined by applying an attributable profit margin to the construction costs representing the fair value of construction services performed. In the operational phase, fair value is determined by discounting the future cash flows allocated to the financial asset using discount rates based on long-term gilt rates adjusted for the risk levels associated with the assets, with market-related movements in fair value recognised in OCI. In both instances, the fair value is reduced by allowances for estimated irrecoverable amounts and expected credit losses. Amounts originally recognised in OCI are transferred to the income statement upon disposal of the asset.

#### 2.27 Judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires management to make judgements, estimates and assumptions that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual outcomes may differ from these judgements, estimates and assumptions.

The judgements, estimates and assumptions that have the most significant effect on the carrying value of assets and liabilities of the Group as at 31 December 2023 are discussed below.

##### a) Revenue and margin recognition (estimate)

The Group's revenue recognition and margin recognition policies, which are set out in Notes 2.4 and 2.5, are central to how the Group values the work it has carried out in each financial year.

These policies require forecasts to be made of the outcomes of long-term construction services and support services contracts, which require estimates to be made of both cost and income recognition on each contract. On the cost side, estimates of forecasts are made on the final out-turn of each contract in addition to potential costs to be incurred for any maintenance and defects liabilities. On the income side, estimates are made on variations to consideration which typically include variations due to changes in scope of work, recoveries of claim income from customers, and potential liquidated damages that may be levied by customers. On cost reimbursable contracts there are also estimates required on the level of disallowable costs which requires an assessment of whether costs are recoverable under the terms of the contract and therefore should be recognised as income. Estimates are reviewed regularly throughout the contract life based on latest available information and adjustments are made where necessary. The Group continues to regularly assess these estimates.

As at 31 December 2023, the Group's contract assets, contract liabilities and contract provisions amounted to £300m, £602m and £352m respectively as set out in Notes 23 and 26. The Group has considered the nature of the estimates involved in deriving these balances and concluded that it is possible, on the basis of existing knowledge, that outcomes within the next financial year may be different from the Group's assumptions applied as at 31 December 2023 and could require a material adjustment to the carrying amounts of these assets and liabilities in the next financial year. However, due to the level of uncertainty, combination of cost and income variables and timing across a large portfolio of contracts (in excess of 1,000) at different stages of their contract life, it is impracticable to provide a quantitative analysis of the aggregated estimates that are applied at a portfolio level.

## 2 Principal accounting policies continued

### 2.27 Judgements and key sources of estimation uncertainty continued

#### a) Revenue and margin recognition (estimate) continued

Within this portfolio, there are a limited number of long-term contracts where the Group has incorporated significant estimates over contractual entitlements relating to recoveries of claim income from customers, suppliers and liquidated damages levied by the customer. This is in the Construction Services segment. These recoveries have been recognised at the amount that is considered highly probable not to significantly reverse. However, there are a host of factors affecting potential outcomes in respect of these entitlements which could result in a range of reasonably possible outcomes on these contracts in the following financial year, ranging from a gain of £60m to a loss of £(35)m. The Directors have assessed the range of reasonably possible outcomes on these limited number of contracts based on facts and circumstances that were present and known at the balance sheet date. As with any contract applying long-term contract accounting, these contracts are also affected by a variety of uncertainties that depend on future events, and so often need to be revised as contracts progress.

#### b) Non-underlying items (judgement)

Non-underlying items are items of financial performance which the Group believes should be presented separately on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. Determining whether an item is part of underlying items or non-underlying items requires judgement. A total non-underlying loss after tax of £11m (2022: £3m) was charged to the income statement for the year ended 31 December 2023. Refer to Note 10.

#### c) Financial assets measured at fair value through OCI (estimate)

At 31 December 2023, £1,173m (2022: £1,270m) of PPP financial assets constructed by the Group's subsidiary, joint venture and associate companies were classified as financial assets measured at fair value through OCI. In the operational phase the fair value of these financial assets is measured at each reporting date by discounting the future value of the cash flows allocated to the financial asset. A range of discount rates is used from 4.3% to 17.4% (2022: 4.6% to 10.0%), which reflects the prevailing risk-free interest rates and the different risk profiles of the various concessions. These represent key sources of estimation uncertainty. Refer to Note 40.

A £20m gain was taken to other comprehensive income in 2023 (2022: £127m loss) and a cumulative fair value gain of £198m had arisen on these financial assets as a result of market-related movements in the fair value of these financial assets at 31 December 2023 (2022: £178m).

#### d) Contract provisions (estimate)

Contract provisions are liabilities of uncertain timing or amount and therefore in making a reliable estimate of the quantum and timing of liabilities estimates are applied and re-evaluated at each reporting date. The range of potential outcomes on contract provisions as a result of uncertain future events could result in a materially positive or negative swing to profitability and cash flow.

The Group has considered the nature of these estimates and concluded that it is possible, on the basis of existing knowledge, that outcomes within the next financial year may be different from the Group's assumptions applied as at 31 December 2023 and could require a material adjustment to the carrying amounts of assets and liabilities in the next financial year. As disclosed in Note 26, the majority of the Group's provision balance relates to contract provisions, which include loss provisions, defect and warranty provisions, where estimates are made around forecast costs, timing and whether it is probable there will be an outflow of future economic benefit. Contract loss provisions may also include estimates around variable consideration as disclosed in Note 2.27(a). However, due to the level of uncertainty, combination of variables and timing across a large portfolio of complex contracts at different stages of their contract life, it is impracticable to provide a quantitative analysis of the aggregated estimates that are applied at a portfolio level.

To the extent that the sensitivities disclosed in Note 2.27(a) affect a loss-making contract, this will have an impact on the Group's provisions in the next financial year.

#### e) Retirement benefit obligations (estimate)

Details of the Group's defined benefit pension schemes are set out in Note 30, including tables showing the sensitivity of the pension scheme obligations and assets to different actuarial assumptions.

At 31 December 2023, the net retirement benefit assets recognised on the Group's balance sheet were £69m (2022: £223m). The effects of changes in the actuarial assumptions underlying the schemes' obligations (including inflation and mortality) and discount rates and the differences between expected and actual returns on the schemes' assets are classified as actuarial gains and losses. During 2023, the Group recognised net actuarial losses of £198m (2022: £51m) in OCI, including its share of the actuarial gains and losses arising in joint ventures and associates.

## 3 Exchange rates

The following key exchange rates were applied in these financial statements:

### Average rates

£1 buys	2023	2022	Change
US\$	1.24	1.24	–%
HK\$	9.73	9.72	0.1%

### Closing rates

£1 buys	2023	2022	Change
US\$	1.27	1.20	5.8%
HK\$	9.95	9.39	6.0%



4 Revenue

4.1 Nature of services provided

4.1.1 Construction Services

The Group's Construction Services segment encompasses activities in relation to the physical construction of assets provided to public and private customers. Revenue generated in this segment is measured over time as control passes to the customer as the asset is constructed. Progress is measured by reference to the cost incurred on the contract to date compared to the contract's end of job forecast (the input method). Payment terms are based on a schedule of value that is set out in the contract and fairly reflect the timing and performance of service delivery. Contracts with customers are typically accounted for as one performance obligation (PO).

Types of assets	Typical contract length	Nature, timing of satisfaction of performance obligations and significant payment terms
<b>Buildings</b>	12 to 36 months	<p>The Group constructs buildings which include commercial, healthcare, education, retail and residential assets. As part of its construction services, the Group provides a range of services including design and/or build, mechanical and electrical engineering, shell and core and/or fit-out and interior refurbishment. The Group's customers in this area are a mix of private and public entities. The contract length depends on the complexity and scale of the building and contracts entered into for these services are typically fixed price.</p> <p>In most instances, the contract with the customer is assessed to only contain one PO as the services provided by the Group, including those where the Group is also providing design services, are highly interrelated. However, for certain types of contracts, services relating to fit-out and interior refurbishment may sometimes be assessed as a separate PO.</p>
<b>Infrastructure</b>	1 to 3 months for small-scale infrastructure works 24 to 60 months for large-scale complex construction	<p>The Group provides construction services for three main types of infrastructure assets: highways, railways and other large-scale infrastructure assets such as waste, water and energy plants. Highways represent the Group's activities in constructing motorways in the UK, US and Hong Kong. This includes activities such as design and construction of roads, widening of existing motorways or converting existing motorways. The main customers are government bodies. Railway construction services include design and managing the construction of railway systems delivering major multi-disciplinary projects, track work, electrification and power supply. The Group serves both public and private railways including high-speed passenger railways, freight and mixed traffic routes, dense commuter networks, metros and light rail. Other infrastructure assets include construction, design and build services on large-scale complex assets predominantly servicing the waste, water and energy sectors. Contracts entered into relating to these infrastructure assets can take the form of fixed-price, cost-plus or target-cost contracts with shared pain/gain mechanisms. Contract lengths vary according to the size and complexity of the asset build and can range from a few months for small-scale infrastructure works to four to five years for large-scale complex construction works. In most cases, the contract itself represents a single PO where only the design and construction elements are contracted. In some instances, the contract with the customer will include maintenance of the constructed asset. The Group assesses the maintenance element as a separate PO and revenue from this PO is recognised in the Support Services segment. Refer to Note 4.1.2.</p>

4.1.2 Support Services

The Group's work in this segment supports existing assets through maintaining, upgrading and managing services across utilities and infrastructure assets. Revenue generated in this segment is measured over time as control passes to the customer as and when services are provided. Progress is measured by reference to the cost incurred on the contract to date compared to the contract's end of job forecast (the input method). Payments are structured as milestone payments set out in the respective contracts.

Types of assets	Nature, timing of satisfaction of performance obligations and significant payment terms
<b>Utilities</b>	<p>Within the Group's services contracts, the Group provides support services to various types of utility assets. For contracts servicing power transmission and distribution assets, the Group constructs and maintains electricity networks, including replacement or new build of overhead lines, underground cabling, cable tunnels and offshore wind farm maintenance. Contracts entered into are normally fixed-price and contract lengths can vary from 12 to 36 months, and up to 20 years for offshore wind farm maintenance contracts. Each contract is normally assessed to contain one PO. However, where a contract contains both a construction phase and a maintenance phase, these are assessed to contain two separate POs.</p>
<b>Infrastructure</b>	<p>The Group provides maintenance, asset and network management and design services in respect of highways, railways and other publicly available assets. The customer in this area of the Group is mainly government bodies. Types of contract include a fixed schedule of rates, fixed-price, target-cost arrangements and cost-plus. Contract terms range from 1 to 25 years. Where contracts include a lifecycle element, this is accounted for as a separate PO and recognised when the work is delivered.</p>



## 4 Revenue continued

### 4.1 Nature of services provided continued

#### 4.1.3 Infrastructure Investments

The Group invests directly in a variety of assets, predominantly consisting of infrastructure assets where there are opportunities to manage the asset upon completion of construction. The Group also invests in real estate type assets, in particular private residential and student accommodation assets. Revenue generated in this segment is from the provision of construction, maintenance and management services and also from the recognition of rental income. The Group's strategy is to hold these assets until optimal values are achieved through disposal of mature assets.

Types of services	Nature, timing of satisfaction of performance obligations and significant payment terms
<b>Service concessions</b>	<p>The Group operates a UK and US portfolio of service concession assets comprising assets in the roads, healthcare, student accommodation, biomass and waste and offshore transmission sectors. The Group accounts for these assets under IFRIC 12 Service Concession Arrangements.</p> <p>Where the Group constructs and maintains these assets, the two services are deemed to be separate performance obligations and accounted for separately. If the maintenance phase includes a lifecycle element, this is considered to be a separate PO.</p> <p>Contract terms can be up to 40 years. The Group recognises revenue over time using the input method. Consideration is paid through a fixed unitary payment charge spread over the life of the contract.</p> <p><b>Revenue from this service is presented across Buildings, Infrastructure or Utilities in Note 4.2.</b></p>
<b>Management services</b>	<p>The Group provides real estate management services such as property development and asset management services. Contract terms can be up to 50 years. The Group recognises revenue over time as and when service is delivered to the customer.</p> <p><b>Revenue from this service is presented within Buildings in Note 4.2.</b></p>
<b>Housing development</b>	<p>The Group also develops housing units on land that is owned by the Group. Revenue is recognised on the sale of individual units at the point in time when control of the asset is transferred to the purchaser. This is deemed to be when an unconditional sale is achieved.</p> <p><b>Revenue from this service is presented within Buildings in Note 4.2.</b></p>

### 4.2 Disaggregation of revenue

The Group presents a disaggregation of its revenue according to the primary geographical markets in which the Group operates as well as the types of assets serviced by the Group. The nature of the various services provided by the Group is explained in Note 4.1. This disaggregation of revenue is also presented according to the Group's reportable segments as described in Note 5.

For the year ended 31 December 2023

Revenue by primary geographical markets		United Kingdom £m	United States £m	Rest of world £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	3,025	3,697	1,359	8,081
	Group revenue	3,025	3,669	1	6,695
Support Services	Revenue including share of joint ventures and associates	1,003	–	3	1,006
	Group revenue	1,003	–	3	1,006
Infrastructure Investments	Revenue including share of joint ventures and associates	164	338	6	508
	Group revenue	63	228	1	292
<b>Total revenue</b>	<b>Revenue including share of joint ventures and associates</b>	<b>4,192</b>	<b>4,035</b>	<b>1,368</b>	<b>9,595</b>
	<b>Group revenue</b>	<b>4,091</b>	<b>3,897</b>	<b>5</b>	<b>7,993</b>

Revenue by types of assets serviced		Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	3,954	3,440	595	92	8,081
	Group revenue	3,284	2,738	581	92	6,695
Support Services	Revenue including share of joint ventures and associates	9	661	326	10	1,006
	Group revenue	9	661	326	10	1,006
Infrastructure Investments	Revenue including share of joint ventures and associates	346 <sup>+</sup>	146	16	–	508
	Group revenue	289 <sup>+</sup>	3	–	–	292
<b>Total revenue</b>	<b>Revenue including share of joint ventures and associates</b>	<b>4,309</b>	<b>4,247</b>	<b>937</b>	<b>102</b>	<b>9,595</b>
	<b>Group revenue</b>	<b>3,582</b>	<b>3,402</b>	<b>907</b>	<b>102</b>	<b>7,993</b>

Timing of revenue recognition		Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time		8,076	1,002	496	9,574
At a point in time		5	4	12	21
<b>Revenue including share of joint ventures and associates</b>		<b>8,081</b>	<b>1,006</b>	<b>508</b>	<b>9,595</b>
Over time		6,690	1,002	280	7,972
At a point in time		5	4	12	21
<b>Group revenue</b>		<b>6,695</b>	<b>1,006</b>	<b>292</b>	<b>7,993</b>

+ Includes rental income of £53m including share of joint ventures and associates or £21m excluding share of joint ventures and associates.

## 4 Revenue continued

### 4.2 Disaggregation of revenue continued

For the year ended 31 December 2022

Revenue by primary geographical markets		United Kingdom £m	United States £m	Rest of world £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	2,761	3,650	1,071	7,482
	Group revenue	2,761	3,645	3	6,409
Support Services	Revenue including share of joint ventures and associates	982	–	7	989
	Group revenue	982	–	6	988
Infrastructure Investments	Revenue including share of joint ventures and associates	151	304	5	460
	Group revenue	53	179	–	232
<b>Total revenue</b>	<b>Revenue including share of joint ventures and associates</b>	<b>3,894</b>	<b>3,954</b>	<b>1,083</b>	<b>8,931</b>
	<b>Group revenue</b>	<b>3,796</b>	<b>3,824</b>	<b>9</b>	<b>7,629</b>

Revenue by types of assets serviced		Buildings £m	Infrastructure £m	Utilities £m	Other £m	Total £m
Construction Services	Revenue including share of joint ventures and associates	3,878	2,960	639	5	7,482
	Group revenue	3,387	2,401	616	5	6,409
Support Services	Revenue including share of joint ventures and associates	5	625	349	10	989
	Group revenue	5	625	348	10	988
Infrastructure Investments	Revenue including share of joint ventures and associates	291 <sup>+</sup>	154	15	–	460
	Group revenue	229 <sup>+</sup>	3	–	–	232
<b>Total revenue</b>	<b>Revenue including share of joint ventures and associates</b>	<b>4,174</b>	<b>3,739</b>	<b>1,003</b>	<b>15</b>	<b>8,931</b>
	<b>Group revenue</b>	<b>3,621</b>	<b>3,029</b>	<b>964</b>	<b>15</b>	<b>7,629</b>

Timing of revenue recognition		Construction Services £m	Support Services £m	Infrastructure Investments £m	Total £m
Over time		7,475	984	430	8,889
At a point in time		7	5	30	42
<b>Revenue including share of joint ventures and associates</b>		<b>7,482</b>	<b>989</b>	<b>460</b>	<b>8,931</b>
Over time		6,402	983	202	7,587
At a point in time		7	5	30	42
<b>Group revenue</b>		<b>6,409</b>	<b>988</b>	<b>232</b>	<b>7,629</b>

+ Includes rental income of £49m including share of joint ventures and associates or £16m excluding share of joint ventures and associates.

### 4.3 Transaction price allocated to the remaining performance obligations (excluding joint ventures and associates)

	2024 £m	2025 £m	2026 onwards £m	Total £m
Construction Services	5,362	2,847	3,183	11,392
Support Services	703	452	1,641	2,796
Infrastructure Investments	82	66	1,769	1,917
<b>Total transaction price allocated to remaining performance obligations</b>	<b>6,147</b>	<b>3,365</b>	<b>6,593</b>	<b>16,105</b>

The total transaction price allocated to the remaining performance obligations represents the contracted revenue to be earned by the Group for distinct goods and services which the Group has promised to deliver to its customers. These include promises which are partially satisfied at the period end or those which are unsatisfied but which the Group has committed to providing. In deriving this transaction price, any element of variable revenue is estimated at a value that is highly probable not to reverse in the future.

The transaction price above does not include any estimated revenue to be earned on framework contracts for which a firm order or instruction has not been received from the customer.



## 5 Segment analysis

Reportable segments of the Group:

- › Construction Services – activities resulting in the physical construction of an asset;
- › Support Services – activities which support existing assets or functions such as asset maintenance and refurbishment; and
- › Infrastructure Investments – acquisition, operation and disposal of infrastructure assets such as roads, hospitals, student accommodation, military housing, multifamily residences, offshore transmission networks, waste and biomass and other concessions. This segment also includes the Group's housing development division.

### 5.1 Total Group

	Construction Services 2023 £m	Support Services 2023 £m	Infrastructure Investments 2023 £m	Corporate activities 2023 £m	Total 2023 £m
<b>Income statement – performance by activity</b>					
Revenue including share of joint ventures and associates	8,081	1,006	508	–	9,595
Share of revenue of joint ventures and associates	(1,386)	–	(216)	–	(1,602)
Group revenue	6,695	1,006	292	–	7,993
Group operating profit/(loss) <sup>1</sup>	120	80	14	(39)	175
Share of results of joint ventures and associates	36	–	17	–	53
Profit/(loss) from operations <sup>1</sup>	156	80	31	(39)	228
Non-underlying items:					
– provision recognised for rectification works to be carried out on a development in London	(12)	–	–	–	(12)
– amortisation of acquired intangible assets	(1)	–	(4)	–	(5)
	(13)	–	(4)	–	(17)
Profit/(loss) from operations	143	80	27	(39)	211
Investment income					82
Finance costs					(49)
<b>Profit before taxation</b>					<b>244</b>

<sup>1</sup> Before non-underlying items (Notes 2.10 and 10).

	Construction Services 2022 £m	Support Services 2022 £m	Infrastructure Investments 2022 £m	Corporate activities 2022 £m	Total 2022 £m
<b>Income statement – performance by activity</b>					
Revenue including share of joint ventures and associates	7,482	989	460	–	8,931
Share of revenue of joint ventures and associates	(1,073)	(1)	(228)	–	(1,302)
Group revenue	6,409	988	232	–	7,629
Group operating profit/(loss) <sup>1</sup>	129	83	(4)	(34)	174
Share of results of joint ventures and associates	20	–	85	–	105
Profit/(loss) from operations <sup>1</sup>	149	83	81	(34)	279
Non-underlying items:					
– amortisation of acquired intangible assets	(1)	–	(5)	–	(6)
– other net operating income	2	–	–	–	2
	1	–	(5)	–	(4)
Profit/(loss) from operations	150	83	76	(34)	275
Investment income					50
Finance costs					(38)
<b>Profit before taxation</b>					<b>287</b>

<sup>1</sup> Before non-underlying items (Notes 2.10 and 10).

	Construction Services 2023 £m	Support Services 2023 £m	Infrastructure Investments 2023 £m	Corporate activities 2023 £m	Total 2023 £m
<b>Assets and liabilities by activity</b>					
Contract assets	203	69	28	–	300
Contract liabilities – current	(506)	(90)	(4)	–	(600)
Inventories	45	25	54	–	124
Trade and other receivables – current	768	73	33	20	894
Trade and other payables – current	(1,491)	(176)	(48)	(19)	(1,734)
Provisions – current	(187)	(4)	(7)	(18)	(216)
<b>Working capital*</b>	<b>(1,168)</b>	<b>(103)</b>	<b>56</b>	<b>(17)</b>	<b>(1,232)</b>
Total assets	2,168	459	1,260	1,378	5,265
Total liabilities	(2,484)	(385)	(664)	(524)	(4,057)
<b>Net assets</b>	<b>(316)</b>	<b>74</b>	<b>596</b>	<b>854</b>	<b>1,208</b>

\* Includes non-operating items and current working capital



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 5 Segment analysis continued

#### 5.1 Total Group continued

	Construction Services 2022 £m	Support Services 2022 £m	Infrastructure Investments 2022 £m	Corporate activities 2022 £m	Total 2022 £m
<b>Assets and liabilities by activity</b>					
Contract assets	209	62	29	–	300
Contract liabilities – current	(550)	(112)	(1)	–	(663)
Inventories	50	32	32	–	114
Trade and other receivables – current	730	91	37	23	881
Trade and other payables – current	(1,374)	(171)	(44)	(6)	(1,595)
Provisions – current	(179)	(3)	(8)	(14)	(204)
<b>Working capital*</b>	(1,114)	(101)	45	3	(1,167)
Total assets	2,342	443	940	1,398	5,123
Total liabilities	(2,421)	(378)	(347)	(594)	(3,740)
<b>Net assets</b>	(79)	65	593	804	1,383

\* Includes non-operating items and current working capital.

	Construction Services 2023 £m	Support Services 2023 £m	Infrastructure Investments 2023 £m	Corporate activities 2023 £m	Total 2023 £m
<b>Other information</b>					
Capital expenditure on property, plant and equipment (Note 16)	8	47	–	11	66
Capital expenditure on intangible assets (Note 15)	–	–	30	–	30
Depreciation (Note 16, Note 17 and Note 18)	28	48	2	9	87
Gain on disposals of interests in investments (Note 34.2)	–	–	24	–	24
Gain on disposals of interests in investments within joint ventures and associates (Note 34.2)	–	–	2	–	2

	Construction Services 2022 £m	Support Services 2022 £m	Infrastructure Investments 2022 £m	Corporate activities 2022 £m	Total 2022 £m
<b>Other information</b>					
Capital expenditure on property, plant and equipment (Note 16)	13	15	–	3	31
Capital expenditure on intangible assets (Note 15)	–	–	1	–	1
Depreciation (Note 16, Note 17 and Note 18)	30	41	2	10	83
Gain on disposals of interests in investments within joint ventures and associates (Note 34.3)	–	–	70	–	70

	United Kingdom 2023 £m	United States 2023 £m	Rest of world 2023 £m	Total 2023 £m
<b>Performance by geographic destination</b>				
Revenue including share of joint ventures and associates	4,192	4,035	1,368	9,595
Share of revenue of joint ventures and associates	(101)	(138)	(1,363)	(1,602)
Group revenue	4,091	3,897	5	7,993

	United Kingdom 2022 £m	United States 2022 £m	Rest of world 2022 £m	Total 2022 £m
<b>Performance by geographic destination</b>				
Revenue including share of joint ventures and associates	3,894	3,954	1,083	8,931
Share of revenue of joint ventures and associates	(98)	(130)	(1,074)	(1,302)
Group revenue	3,796	3,824	9	7,629

#### Major customers

Included in Group revenue are revenues of £1,981m (2022: £1,903m) from the US Government and £3,198m (2022: £2,670m) from the UK Government, which are the Group's two largest customers, through multiple central and regional bodies. These revenues are included in the results across all three reported segments.





## 5 Segment analysis continued

### 5.2 Infrastructure Investments

	Share of joint ventures and associates (Note 19.2)*			Share of joint ventures and associates (Note 19.2)*		
	Group 2023 £m	2023 £m	Total 2023 £m	Group 2022 £m	2022 £m	Total 2022 £m
<b>Underlying profit/(loss) from operations<sup>1</sup></b>						
UK <sup>^</sup>	(1)	3	2	3	1	4
North America	7	12	19	18	14	32
Gain on disposals of interests in investments (Note 34.2/34.3)	24	2	26	–	70	70
	<b>30</b>	<b>17</b>	<b>47</b>	21	85	106
Bidding costs and overheads	(16)	–	(16)	(25)	–	(25)
	<b>14</b>	<b>17</b>	<b>31</b>	(4)	85	81
<b>Net assets/(liabilities)</b>						
UK <sup>^</sup>	412	121	533	384	140	524
North America	152	175	327	124	187	311
	<b>564</b>	<b>296</b>	<b>860</b>	508	327	835
Non-recourse borrowings net of associated cash and cash equivalents (Note 27)	(264)	–	(264)	(242)	–	(242)
<b>Total Infrastructure Investments net assets</b>	<b>300</b>	<b>296</b>	<b>596</b>	266	327	593

+ The Group's share of the results of joint ventures and associates is disclosed net of investment income, finance costs and taxation.

<sup>^</sup> Including Ireland.

<sup>1</sup> Before non-underlying items (Notes 2.10 and 10).

## 6 Profit/(loss) from operations

### 6.1 Profit/(loss) from operations is stated after charging/(crediting)

	2023 £m	2022 £m
Depreciation of property, plant and equipment	28	27
Depreciation of right-of-use assets	57	54
Depreciation of investment properties	2	2
Amortisation of other intangible assets	12	13
Amortisation of contract fulfilment assets	15	15
Net charge of trade receivables impairment provision	5	–
Profit on disposal of property, plant and equipment	(2)	(4)
Government grant income	(6)	(6)
Cost of inventory recognised as an expense	222	154
Auditor's remuneration	6	5

### 6.2 Analysis of auditor's remuneration

	2023 £m	2022 £m
Services as auditor to the Company	0.8	0.7
Services as auditor to Group subsidiaries	4.3	3.4
<b>Total audit fees</b>	<b>5.1</b>	<b>4.1</b>
Audit-related assurance fees	0.5	0.8
Other assurance fees	–	–
<b>Total non-audit fees</b>	<b>0.5</b>	<b>0.8</b>
<b>Total fees in relation to audit and other services</b>	<b>5.6</b>	<b>4.9</b>



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 7 Employee costs

#### 7.1 Group

	2023 £m	2022 £m
<b>Employee costs during the year</b>		
Wages and salaries	<b>1,318</b>	1,259
Redundancy costs	<b>6</b>	4
Social security costs	<b>97</b>	98
Pension costs (Note 30)	<b>58</b>	63
Share-based payments (Note 35)	<b>24</b>	20
	<b>1,503</b>	1,444
	2023 Number	2022 Number
<b>Average number of Group employees</b>		
Construction Services	<b>12,069</b>	12,233
Support Services	<b>4,375</b>	3,794
Infrastructure Investments	<b>1,636</b>	1,546
Corporate	<b>146</b>	145
	<b>18,226</b>	17,718

Detailed disclosures of items of remuneration, including those accruing under the Company's equity-settled share-based payment arrangements can be found within the Remuneration report on pages 152 to 168.

#### 7.2 Company

The Company did not have any employees and did not incur any employee costs in the year (2022: £nil). Balfour Beatty Group Employment Ltd, which was established in February 2013, remains the employing entity for the Balfour Beatty Group's UK employees.

### 8 Investment income

	2023 £m	2022 £m
Subordinated debt interest receivable	<b>34</b>	27
Interest receivable on PPP financial assets (Note 21)	<b>2</b>	2
Fair value gain on investment asset (Note 20)	<b>–</b>	6
Interest received on bank deposits	<b>33</b>	8
Other interest receivable and similar income	<b>–</b>	2
Impairment reversal of joint ventures and associates – accrued interest (See Note 9)	<b>1</b>	–
Net finance income on pension scheme assets and obligations (Note 30.2)	<b>12</b>	5
	<b>82</b>	50

### 9 Finance costs

	2023 £m	2022 £m
Non-recourse borrowings – bank loans and overdrafts	<b>11</b>	9
US private placement – finance cost	<b>12</b>	15
Interest on lease liabilities (Note 28)	<b>6</b>	6
Fair value loss on investment asset (Note 20)	<b>1</b>	–
Other interest payable – committed facilities	<b>3</b>	2
	<b>2</b>	2
	<b>5</b>	2
Impairment of joint ventures and associates – loans	<b>9</b>	–
	<b>–</b>	2
	<b>–</b>	2
	<b>49</b>	38

The net impairment of loans to joint ventures and associates and accrued interest receivable of £8m (2022: £2m) relates to expected credit loss assessments performed. All of these impairments relate to subordinated debt and accrued interest receivable from joint ventures and associates held within the Infrastructure Investments segment.



## 10 Non-underlying items

	2023 £m	2022 £m
<b>Items (charged against)/credited to profit</b>		
10.1 Amortisation of acquired intangible assets	(5)	(6)
10.2 Other non-underlying items:		
– provision recognised for rectification works to be carried out on a development in London	(12)	–
– release of indemnity provisions relating to sale of Heery International Inc.	–	2
Total other non-underlying items	(12)	2
<b>Charged against profit before taxation</b>	<b>(17)</b>	<b>(4)</b>
10.3 Tax credit/(charge):		
– tax on rectification works provision	3	–
– tax on other items above	3	(1)
– impact of tax rate change on deferred tax assets previously recognised through non-underlying	–	2
Total tax credit	6	1
<b>Charged against profit for the year</b>	<b>(11)</b>	<b>(3)</b>

10.1 The amortisation of acquired intangible assets comprises: customer contracts £4m (2022: £5m); and customer relationships £1m (2022: £1m). The charge was recognised in the following segments: Construction Services £1m (2022: £1m); and Infrastructure Investments £4m (2022: £5m).

10.2.1 In 2021, the Group recognised a provision of £42m in relation to rectification works to be carried out on a development in London which was constructed by the Group between 2013 and 2016. The rectification work includes the replacement of stone panels affixed to the façade of the development to meet performance requirements. The provision was initially calculated in line with a methodology based on an independent expert's assessment of the rectification at that time and included an estimate of costs associated with any potential consequential disruption to the development as a result of these rectification works. Rectification works are expected to complete in 2025. The most recent assessment carried out in 2023 resulted in a £12m increase in the estimated cost of rectification.

The Group initially presented the provision recognised in 2021 in non-underlying due to its size. In line with this presentation, the Group continues to present this within non-underlying. The provision does not include potential recoveries from third parties.

This charge was recognised in the Construction Services segment.

10.3.1 As explained in Note 10.2.1, a non-underlying charge of £12m was recognised in relation to the rectification works to be carried out on a development in London. This expense has given rise to a tax credit of £3m.

10.3.2 The remaining non-underlying items recognised in the Group's operating profit gave rise to a tax credit of £3m which was recognised mainly on the amortisation of acquired intangible assets (2022: £1m charge).

10.3.3 In 2022, there was an additional deferred tax credit of £2m to revalue deferred tax assets previously recognised through non-underlying items due to a corporation tax rate change enacted in the UK.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 11 Income taxes

#### 11.1 Income tax charge/(credit)

	Underlying items <sup>1</sup> 2023 £m	Non-underlying items (Note 10) 2023 £m	Total 2023 £m	Total 2022 £m
Total UK tax	38	(3)	35	(35)
Total non-UK tax	18	(3)	15	35
<b>Total tax charge/(credit)*</b>	<b>56</b>	<b>(6)</b>	<b>50</b>	–
<b>UK current tax</b>				
– current tax	7	(3)	4	2
	7	(3)	4	2
<b>Non-UK current tax</b>				
– current tax	2	(1)	1	18
– adjustments in respect of previous periods	(3)	–	(3)	(3)
	(1)	(1)	(2)	15
<b>Total current tax</b>	<b>6</b>	<b>(4)</b>	<b>2</b>	17
<b>UK deferred tax</b>				
– origination and reversal of temporary differences	30	–	30	(22)
– UK corporation tax rate change	2	–	2	(13)
– adjustments in respect of previous periods	(1)	–	(1)	(2)
	31	–	31	(37)
<b>Non-UK deferred tax</b>				
– origination and reversal of temporary differences	17	(1)	16	17
– adjustments in respect of previous periods	2	(1)	1	3
	19	(2)	17	20
<b>Total deferred tax</b>	<b>50</b>	<b>(2)</b>	<b>48</b>	(17)
<b>Total tax charge/(credit)*</b>	<b>56</b>	<b>(6)</b>	<b>50</b>	–

x Excluding joint ventures and associates.

1 Before non-underlying items (Notes 2.10 and 10).

The Group has recognised a £6m tax credit (2022: £1m) within non-underlying items in the year. Refer to Notes 10.3.1 to 10.3.3.

The Group tax charge excludes amounts for joint ventures and associates (refer to Note 19.2), except where tax is levied at the Group level.

In addition to the Group tax charge, tax of £43m has been credited (2022: £44m) directly to Group other comprehensive income, comprising: a tax credit of £48m for subsidiaries (2022: £19m); and a tax charge in respect of joint ventures and associates of £5m (2022: £25m credit). A tax charge of £nil (2022: £2m credit) has been recognised directly in Group equity relating to share-based payments comprising a current tax credit of £2m (2022: £nil) and a deferred tax charge of £2m (2022: £2m credit). Refer to Note 32.1.



## 11 Income taxes continued

### 11.2 Income tax charge/(credit) reconciliation

	2023 £m	2022 £m
Profit before taxation including share of results from joint ventures and associates	244	287
Less: share of results of joint ventures and associates	(53)	(105)
Profit before taxation	191	182
Add: non-underlying items charged excluding share of joint ventures and associates	17	4
Underlying profit before taxation for subsidiaries <sup>1</sup>	208	186
Tax on underlying profit before taxation at standard UK corporation tax rate of 23.5% (2022: 19%)	49	35
<b>Adjusted for the effects of:</b>		
Expenses not deductible for tax purposes and other permanent items	7	2
Benefit of tax incentives	–	(1)
Non-taxable disposals	(6)	–
Tax levied at Group level on share of joint ventures' and associates' profits <sup>#</sup>	3	13
Recognition of losses not previously recognised	–	(43)
Utilisation of other losses not previously recognised	(1)	–
Effect of tax rates in non-UK jurisdictions	3	12
Recognition of UK deferred tax at 25%	2	(12)
Adjustments in respect of previous periods	(1)	(5)
<b>Total tax charge on underlying profit</b>	<b>56</b>	<b>1</b>
Add: tax credit in non-underlying items (Note 10.3)	(6)	(1)
<b>Total tax charge on profit from operations</b>	<b>50</b>	<b>–</b>

# These are mainly in connection with US joint ventures and associates where tax is levied at the Group level rather than within the share of joint ventures and associates.

<sup>1</sup> Before non-underlying items (Notes 2.10 and 10).

## 12 Earnings per share

### Earnings

	Basic 2023 £m	Diluted 2023 £m	Basic 2022 £m	Diluted 2022 £m
Earnings	197	197	288	288
Amortisation of acquired intangible assets – including tax credit of £3m (2022: £1m charge)	2	2	7	7
Other non-underlying items – including tax credit of £3m (2022: £2m)	9	9	(4)	(4)
<b>Underlying earnings</b>	<b>208</b>	<b>208</b>	<b>291</b>	<b>291</b>
	Basic 2023 m	Diluted 2023 m	Basic 2022 m	Diluted 2022 m
Weighted average number of ordinary shares	558	566	612	620

The basic earnings per ordinary share is calculated by dividing the profit for the year attributable to equity holders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and shares held in the Employee Share Ownership Trust.

The diluted earnings per ordinary share uses an adjusted weighted average number of shares and includes shares that are potentially outstanding in relation to the equity-settled share-based payment arrangements detailed in Note 35.

Potential dilutive effect of ordinary shares issuable under equity-settled share-based payment arrangements is 8m (2022: 8m).

### Earnings per share

	Basic 2023 Pence	Diluted 2023 Pence	Basic 2022 Pence	Diluted 2022 Pence
Earnings per ordinary share	35.3	34.8	46.9	46.3
Amortisation of acquired intangible assets after tax	0.4	0.4	1.2	1.1
Other non-underlying items after tax	1.6	1.6	(0.6)	(0.6)
<b>Underlying earnings per ordinary share</b>	<b>37.3</b>	<b>36.8</b>	<b>47.5</b>	<b>46.8</b>

### 13 Dividends

	Per share 2023 Pence	Amount 2023 £m	Per share 2022 Pence	Amount 2022 £m
<b>Proposed dividends for the year</b>				
Interim – current year	3.5	19	3.5	21
Final – current year	8.0	43*	7.0	40
	11.5	62	10.5	61
<b>Recognised dividends for the year</b>				
Final – prior year		39		37
Interim – current year		19		21
		58		58

\* Amount dependent on number of shares on the register on 17 May 2024.

Subject to approval at the Annual General Meeting on 9 May 2024, the final 2023 dividend will be paid on 3 July 2024 to holders on the register on 17 May 2024 by direct credit or, where no mandate has been given, by cheque posted by 3 July 2024. The ordinary shares will be quoted ex-dividend on 16 May 2024. The last date for Dividend Reinvestment Plan (DRIP) elections will be 12 June 2024.

### 14 Intangible assets – goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
At 1 January 2022	1,035	(218)	817
Currency translation differences	71	(12)	59
At 31 December 2022	1,106	(230)	876
Currency translation differences	(37)	6	(31)
<b>At 31 December 2023</b>	<b>1,069</b>	<b>(224)</b>	<b>845</b>

#### Carrying amounts of goodwill by segment

	2023			2022		
	United Kingdom £m	United States £m	Total £m	United Kingdom £m	United States £m	Total £m
Construction Services	260	460	720	260	488	748
Support Services	73	–	73	73	–	73
Infrastructure Investments	–	52	52	–	55	55
<b>Group</b>	<b>333</b>	<b>512</b>	<b>845</b>	<b>333</b>	<b>543</b>	<b>876</b>

#### Carrying amounts of goodwill by cash-generating unit

	2023		2022	
	£m	Pre-tax discount rate %	£m	Pre-tax discount rate %
UK Regional and Engineering Services	248	10.7	248	9.1
Balfour Beatty Construction Group Inc	437	11.1	464	9.3
Rail UK	68	11.0	68	9.3
Balfour Beatty Investments US	52	11.3	55	11.1
Other	40	11.0	41	9.3
<b>Group total</b>	<b>845</b>		<b>876</b>	

The recoverable amount of goodwill is based on value-in-use, a key input of which is forecast cash flows. The Group's cash flow forecasts are based on the expected future revenues and margins of each CGU, giving consideration to the current level of confirmed and anticipated orders. Cash flow forecasts for the next three years are based on the Group's Three-Year Plan, which covers the period from 2024 to 2026. The cash flow forecasts for each CGU were compiled from each of its constituent business units as part of the Group's annual financial planning process.

The other key inputs in assessing each CGU are its long-term growth rate and discount rate. The discount rates have been calculated using the Weighted Average Cost of Capital (WACC) method, which takes account of the Group's capital structure (financial risk) as well as the nature of each CGU's business (operational risk). Long-term growth rates are assumed to be the estimated future GDP growth rates based on published independent forecasts for the country or countries in which each CGU operates, less 1.0% to reflect current economic uncertainties and their consequent estimated effect on public sector spending on infrastructure.



## 14 Intangible assets – goodwill continued

In the derivation of each CGU's value-in-use, a terminal value is assumed based on a multiple of earnings before interest and tax. The multiple is applied to a terminal cash flow, which is the normalised cash flow in the last year of the forecast period. However, due to the long-term nature and the degree of predictability of some contracts within Balfour Beatty Investments US, the forecast period used in the derivation of this CGU's value-in-use extends beyond the Group's three-year cash flow forecast period in line with the duration of the contracts disclosed in Note 41(e). The EBIT multiple is calculated using the Gordon Growth Model and is a factor of the discount rate and growth rate for each CGU. The nominal terminal value is discounted to present value.

	2023			2022		
	Inflation rate %	Real growth rate %	Nominal long-term growth rate applied %	Inflation rate %	Real growth rate %	Nominal long-term growth rate applied %
UK Regional and Engineering Services	2.8	1.1	3.9	2.3	0.8	3.1
Balfour Beatty Construction Group Inc	2.2	1.7	3.9	2.2	0.7	2.9
Rail UK	2.8	1.1	3.9	2.3	0.8	3.1
Balfour Beatty Investments US	2.2	1.7	3.9	2.2	0.7	2.9
Other	2.6	1.3	3.9	2.3	0.8	3.1

### Sensitivities

The Group's impairment review is sensitive to changes in the key assumptions used. The major assumptions that result in significant sensitivities are the discount rate and the long-term growth rate, and for certain CGUs, changes to underlying cash projections.

A reasonable possible change in key assumptions would not give rise to an impairment in any of the Group's CGUs.

## 15 Intangible assets – other

	Customer contracts £m	Customer relationships £m	Brand names £m	Infrastructure Investments intangibles £m	Software and other £m	Total £m
<b>Cost or valuation</b>						
At 1 January 2022	218	49	3	236	127	633
Currency translation differences	26	6	–	–	2	34
Additions	–	–	–	1	–	1
At 31 December 2022	244	55	3	237	129	668
Currency translation differences	(14)	(3)	–	–	(1)	(18)
Additions	–	–	–	30	–	30
Fair value movement on loan associated with intangible asset	–	–	–	(19)	–	(19)
<b>At 31 December 2023</b>	<b>230</b>	<b>52</b>	<b>3</b>	<b>248</b>	<b>128</b>	<b>661</b>
<b>Accumulated amortisation</b>						
At 1 January 2022	(164)	(42)	(3)	(8)	(120)	(337)
Currency translation differences	(20)	(5)	–	–	(1)	(26)
Charge for the year	(5)	(1)	–	(5)	(2)	(13)
At 31 December 2022	(189)	(48)	(3)	(13)	(123)	(376)
Currency translation differences	11	3	–	–	1	15
Charge for the year	(4)	(1)	–	(5)	(2)	(12)
<b>At 31 December 2023</b>	<b>(182)</b>	<b>(46)</b>	<b>(3)</b>	<b>(18)</b>	<b>(124)</b>	<b>(373)</b>
<b>Carrying amount</b>						
<b>At 31 December 2023</b>	<b>48</b>	<b>6</b>	<b>–</b>	<b>230</b>	<b>4</b>	<b>288</b>
At 31 December 2022	55	7	–	224	6	292

The Group recognises certain assets held as part of service concession arrangements as Infrastructure Investments intangible assets where the Group bears demand risk under IFRIC 12 Service Concession Arrangements. In December 2023, the Group commenced the construction phase at University of Sussex's West Slope student accommodation project, incurring a spend of £30m (2022: £nil) in the year, which includes bank arrangement fees of £3m. No interest was capitalised in the year, however a fair value movement of £19m was recognised against the value of the asset, which will unwind over the course of the construction phase. Construction on this project is anticipated to complete in 2028. The Infrastructure Investments intangible assets are amortised on a straight-line basis over the life of the projects, which is 50 years.

Intangible assets are amortised on a straight-line basis over their expected useful lives, which are one to four years for customer contracts, three to 10 years for customer relationships, three to seven years for software, and up to five years for brand names, except for customer contracts and relationships relating to Balfour Beatty Investments North America which are amortised on a basis matching the returns earned over the life of the underlying contracts and relationships of up to 50 years.

Other intangible assets are amortised over periods up to 10 years.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 16 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Assets in the course of construction £m	Total £m
<b>Cost or valuation</b>				
At 1 January 2022	65	252	8	325
Currency translation differences	2	9	–	11
Transfers	–	7	(7)	–
Additions	–	31	–	31
Removal of fully depreciated assets/assets scrapped	(10)	(5)	–	(15)
Disposals	–	(17)	–	(17)
At 31 December 2022	57	277	1	335
Currency translation differences	(1)	(5)	–	(6)
Transfers	–	1	(1)	–
Additions	4	48	14	66
Reclassified from right-of-use assets (Note 17)	4	–	–	4
Removal of fully depreciated assets/assets scrapped	(3)	(5)	–	(8)
Disposals	–	(15)	–	(15)
<b>At 31 December 2023</b>	<b>61</b>	<b>301</b>	<b>14</b>	<b>376</b>
<b>Accumulated depreciation</b>				
At 1 January 2022	(49)	(178)	–	(227)
Currency translation differences	–	(5)	–	(5)
Charge for the year	(4)	(23)	–	(27)
Removal of fully depreciated assets/assets scrapped	10	5	–	15
Disposals	–	13	–	13
At 31 December 2022	(43)	(188)	–	(231)
Currency translation differences	1	3	–	4
Charge for the year	(4)	(24)	–	(28)
Removal of fully depreciated assets/assets scrapped	3	5	–	8
Reclassified from right-of-use assets (Note 17)	(1)	–	–	(1)
Disposals	–	13	–	13
<b>At 31 December 2023</b>	<b>(44)</b>	<b>(191)</b>	<b>–</b>	<b>(235)</b>
<b>Carrying amount</b>				
<b>At 31 December 2023</b>	<b>17</b>	<b>110</b>	<b>14</b>	<b>141</b>
At 31 December 2022	14	89	1	104

Except for land and assets in the course of construction, the costs of property, plant and equipment are depreciated on a straight-line basis over their expected useful lives. Buildings are depreciated at 2.5% per annum and plant and equipment is depreciated at 4% to 33% per annum.



## 17 Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Motor vehicles £m	Total £m
<b>Cost or valuation</b>				
At 1 January 2022	86	44	92	222
Currency translation differences	6	–	–	6
Additions	19	13	24	56
Removal of fully depreciated assets/assets scrapped	(11)	(10)	(6)	(27)
Disposals	(5)	(1)	(4)	(10)
At 31 December 2022	95	46	106	247
Currency translation differences	(3)	(1)	–	(4)
Additions	11	16	47	74
Removal of fully depreciated assets/assets scrapped	(6)	(4)	(14)	(24)
Reclassified to property, plant and equipment (Note 16)	(4)	–	–	(4)
Lease modification	–	–	(1)	(1)
Disposals	(4)	(2)	(10)	(16)
<b>At 31 December 2023</b>	<b>89</b>	<b>55</b>	<b>128</b>	<b>272</b>
<b>Accumulated depreciation</b>				
At 1 January 2022	(34)	(19)	(44)	(97)
Currency translation differences	(2)	(1)	–	(3)
Charge for the year	(18)	(11)	(25)	(54)
Removal of fully depreciated assets/assets scrapped	11	10	6	27
Disposals	3	1	3	7
At 31 December 2022	(40)	(20)	(60)	(120)
Currency translation differences	1	1	–	2
Charge for the year	(18)	(11)	(28)	(57)
Removal of fully depreciated assets/assets scrapped	6	4	14	24
Reclassified to property, plant and equipment (Note 16)	1	–	–	1
Disposals	4	1	8	13
<b>At 31 December 2023</b>	<b>(46)</b>	<b>(25)</b>	<b>(66)</b>	<b>(137)</b>
<b>Carrying amount</b>				
<b>At 31 December 2023</b>	<b>43</b>	<b>30</b>	<b>62</b>	<b>135</b>
At 31 December 2022	55	26	46	127

## 18 Investment properties

	Cost £m	Accumulated depreciation £m	Carrying amount £m
At 1 January 2022	35	(6)	29
Depreciation charge for the year	–	(2)	(2)
At 31 December 2022	35	(8)	27
Currency translation differences	(1)	–	(1)
Additions	42	–	42
Depreciation charge for the year	–	(2)	(2)
<b>At 31 December 2023</b>	<b>76</b>	<b>(10)</b>	<b>66</b>

Investment properties are held by the Group to generate rental income and capital appreciation. The Group has chosen to account for its investment property assets under the cost method. In 2023, the Group acquired a new student accommodation property in Tallahassee, Florida for £42m. The Group has non-recourse project specific financing amounting to £48m (2022: £23m), which is secured through floating charges over the properties.

Once a property is ready for use, the Group ceases capitalisation of interest cost and commences depreciation on the property, on a straight-line basis over 25 years. The Group generated £7m (2022: £4m) of rental income from its investment properties.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 19 Investments in joint ventures and associates

#### 19.1 Movements

	Net assets <sup>+</sup> £m	Loans <sup>^</sup> £m	Total £m
At 1 January 2022	396	107	503
Currency translation differences	28	–	28
Income recognised	105	–	105
Fair value revaluation of PPP financial assets (Note 32.1)	(124)	–	(124)
Fair value revaluation of cash flow hedges (Note 32.1)	29	–	29
Actuarial movements on retirement benefit assets/liabilities (Note 32.1)	1	–	1
Tax on items taken directly to other comprehensive income (Note 32.1)	25	–	25
Dividends	(148)	–	(148)
Additions	30	–	30
Return of equity	(34)	–	(34)
Loans repaid	–	(1)	(1)
Distribution in excess of earnings recognised directly in income statement	2	–	2
Reclassify negative investment to provisions (Note 26)	10	–	10
At 31 December 2022	320	106	426
Currency translation differences	<b>(16)</b>	–	<b>(16)</b>
Income recognised	<b>53</b>	–	<b>53</b>
Fair value revaluation of PPP financial assets (Note 32.1)	<b>20</b>	–	<b>20</b>
Fair value revaluation of cash flow hedges (Note 32.1)	<b>2</b>	–	<b>2</b>
Actuarial movements on retirement benefit assets/liabilities (Note 32.1)	<b>(1)</b>	–	<b>(1)</b>
Tax on items taken directly to other comprehensive income (Note 32.1)	<b>(5)</b>	–	<b>(5)</b>
Dividends	<b>(60)</b>	–	<b>(60)</b>
Additions	<b>14</b>	–	<b>14</b>
Disposal of Gloucester Waste (Note 34.2.2)	<b>(7)</b>	<b>(24)</b>	<b>(31)</b>
Return of equity	<b>(4)</b>	–	<b>(4)</b>
Impairment of loans to joint ventures and associates (Note 9)	–	<b>(9)</b>	<b>(9)</b>
<b>At 31 December 2023</b>	<b>316</b>	<b>73</b>	<b>389</b>

+ Includes goodwill arising on acquisition of the Group's interests in investments in joint ventures and associates.

^ Loans include subordinated debt receivable from joint ventures and associates within the Infrastructure Investments segment.

The principal joint ventures and associates are shown in Note 41.

The amount of the Group's share of borrowings of joint ventures and associates which was supported by the Group and the Company was £nil (2022: £nil).

The non-recourse borrowings of joint venture and associate entities relating to infrastructure concessions projects are repayable over periods extending up to 2057. The non-recourse borrowings arise under facilities taken out by project-specific joint venture and associate concession companies. The borrowings of each concession company are secured by a combination of fixed and floating charges over that concession company's interests in its project's assets and revenues and the shares in the concession company held by its immediate parent company. A significant part of these loans has been swapped into fixed rate debt by the use of interest rate swaps.

As disclosed in Note 41(f), the Group has committed to provide its share of further equity funding of joint ventures and associates in Infrastructure Investments' projects and military housing concessions. Further, in respect of a number of these investments the Group has committed not to dispose of its equity interest until construction is complete. As is customary in such projects, banking covenants restrict the payment of dividends and other distributions.

## 19 Investments in joint ventures and associates continued

### 19.2 Share of results and net assets of joint ventures and associates

	Construction Services 2023 £m	Support Services 2023 £m	Infrastructure Investments			Total 2023 £m	Total 2023 £m
			UK <sup>^</sup> 2023 £m	North America 2023 £m	Total 2023 £m		
<b>Income statement</b>							
<b>Revenue</b>	<b>1,386</b>	<b>–</b>	<b>103</b>	<b>113</b>	<b>216</b>	<b>1,602</b>	
Operating profit excluding gain on disposals of interests in investments	33	–	2	21	23	56	
Gain on disposals of interests in investments	–	–	–	2	2	2	
<b>Operating profit</b>	<b>33</b>	<b>–</b>	<b>2</b>	<b>23</b>	<b>25</b>	<b>58</b>	
Investment income	10	–	74	16	90	100	
Finance costs	(1)	–	(73)	(25)	(98)	(99)	
<b>Profit before taxation</b>	<b>42</b>	<b>–</b>	<b>3</b>	<b>14</b>	<b>17</b>	<b>59</b>	
Taxation	(6)	–	–	–	–	(6)	
<b>Profit after taxation</b>	<b>36</b>	<b>–</b>	<b>3</b>	<b>14</b>	<b>17</b>	<b>53</b>	
<b>Balance sheet</b>							
<b>Non-current assets</b>							
Intangible assets – Infrastructure Investments intangible	–	–	14	–	14	14	
– other	–	–	12	–	12	12	
Property, plant and equipment	21	–	–	–	–	21	
Investment properties	–	–	–	232	232	232	
Investments in joint ventures and associates	7	–	–	–	–	7	
Money market funds	–	–	–	44	44	44	
PPP financial assets	–	–	905	244	1,149	1,149	
Military housing projects	–	–	–	113	113	113	
Other non-current assets	107	–	24	13	37	144	
<b>Current assets</b>							
Cash and cash equivalents	340	–	146	20	166	506	
Other current assets	310	3	55	5	60	373	
<b>Total assets</b>	<b>785</b>	<b>3</b>	<b>1,156</b>	<b>671</b>	<b>1,827</b>	<b>2,615</b>	
<b>Current liabilities</b>							
Borrowings – non-recourse	–	–	(36)	–	(36)	(36)	
Other current liabilities	(549)	(3)	(158)	(30)	(188)	(740)	
<b>Non-current liabilities</b>							
Borrowings – non-recourse	(94)	–	(767)	(461)	(1,228)	(1,322)	
Other non-current liabilities	(90)	–	(147)	(5)	(152)	(242)	
<b>Total liabilities</b>	<b>(733)</b>	<b>(3)</b>	<b>(1,108)</b>	<b>(496)</b>	<b>(1,604)</b>	<b>(2,340)</b>	
<b>Net assets</b>	<b>52</b>	<b>–</b>	<b>48</b>	<b>175</b>	<b>223</b>	<b>275</b>	
Goodwill	31	–	–	–	–	31	
Reclassify negative investment to provisions	10	–	–	–	–	10	
Loans to joint ventures and associates	–	–	73	–	73	73	
<b>Total investment in joint ventures and associates</b>	<b>93</b>	<b>–</b>	<b>121</b>	<b>175</b>	<b>296</b>	<b>389</b>	

<sup>^</sup> Including Ireland.

The Group's investment in military housing joint ventures' and associates' projects is recognised at its remaining equity investment plus the value of the Group's accrued returns from the underlying projects. The military housing joint ventures and associates have total non-recourse net borrowings of £2,090m (2022: £2,249m). Note 41(e) details the Group's military housing projects.

On certain Infrastructure Investments concessions where net fair value revaluations of PPP financial assets and cash flow hedges resulted in the Group's carrying value of these investments being negative, the Group has not recognised losses beyond the carrying value of its investments. This is because the Group has not committed to provide any further funding to these investments and the borrowings within these concessions are non-recourse to the Group. At 31 December 2023, the unrecognised cumulative net fair value charges to other comprehensive income amounted to £66m (2022: £56m).



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 19 Investments in joint ventures and associates continued

#### 19.2 Share of results and net assets of joint ventures and associates continued

	Construction Services 2022 £m	Support Services 2022 £m	Infrastructure Investments			Total 2022 £m	Total 2022 £m
			UK <sup>^</sup> 2022 £m	North America 2022 £m	Total 2022 £m		
<b>Income statement</b>							
<b>Revenue</b>	1,073	1	99	129	228	1,302	
Operating profit excluding gain on disposals of interests in investments	24	–	(3)	21	18	42	
Gain on disposals of interests in investments	–	–	–	70	70	70	
<b>Operating profit</b>	24	–	(3)	91	88	112	
Investment income	3	–	72	13	85	88	
Finance costs	(1)	–	(66)	(20)	(86)	(87)	
<b>Profit before taxation</b>	26	–	3	84	87	113	
Taxation	(6)	–	(2)	–	(2)	(8)	
<b>Profit after taxation</b>	20	–	1	84	85	105	
<b>Balance sheet</b>							
<b>Non-current assets</b>							
Intangible assets – Infrastructure Investments intangible	–	–	40	–	40	40	
– other	–	–	13	–	13	13	
Property, plant and equipment	33	–	–	–	–	33	
Investment properties	–	–	–	257	257	257	
Investments in joint ventures and associates	5	–	–	–	–	5	
Money market funds	–	–	–	26	26	26	
PPP financial assets	–	–	984	260	1,244	1,244	
Military housing projects	–	–	–	119	119	119	
Other non-current assets	106	–	27	13	40	146	
<b>Current assets</b>							
Cash and cash equivalents	385	–	150	26	176	561	
Other current assets	275	–	46	5	51	326	
<b>Total assets</b>	804	–	1,260	706	1,966	2,770	
<b>Current liabilities</b>							
Borrowings – non-recourse	(89)	–	(37)	–	(37)	(126)	
Other current liabilities	(579)	–	(124)	(12)	(136)	(715)	
<b>Non-current liabilities</b>							
Borrowings – non-recourse	–	–	(885)	(502)	(1,387)	(1,387)	
Other non-current liabilities	(80)	–	(180)	(5)	(185)	(265)	
<b>Total liabilities</b>	(748)	–	(1,226)	(519)	(1,745)	(2,493)	
<b>Net assets</b>	56	–	34	187	221	277	
Goodwill	33	–	–	–	–	33	
Reclassify negative investment to provisions (Note 26)	10	–	–	–	–	10	
Loans to joint ventures and associates	–	–	106	–	106	106	
<b>Total investment in joint ventures and associates</b>	99	–	140	187	327	426	

<sup>^</sup> Including Ireland.

#### 19.3 Aggregate information of joint ventures and associates

	Joint ventures	Associates	Total
	2023 £m	2023 £m	2023 £m
The Group's share of profit from operations	42	11	53
Aggregate carrying amount of the Group's interest	276	113	389
	Joint ventures	Associates	Total
	2022 £m	2022 £m	2022 £m
The Group's share of profit from operations	89	16	105
Aggregate carrying amount of the Group's interest	300	126	426

## 19 Investments in joint ventures and associates continued

### 19.4 Details of material joint ventures

	Gammon China Ltd		Connect Plus (M25) Ltd	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Proportion of the Group's ownership interest in the joint venture</b>	<b>50%</b>	50%	<b>15%</b>	15%
<b>Income statement</b>				
Revenue	<b>2,715</b>	2,135	<b>231</b>	270
<b>Underlying operating profit</b>	<b>65</b>	72	<b>20</b>	9
Investment income	<b>21</b>	6	<b>146</b>	140
Finance costs	<b>(3)</b>	(3)	<b>(101)</b>	(101)
Income tax charge	<b>(12)</b>	(12)	<b>(15)</b>	(9)
Profit	<b>71</b>	63	<b>50</b>	39
Total other comprehensive income/(loss)	–	2	<b>18</b>	(274)
<b>Total comprehensive income/(loss) (100%)</b>	<b>71</b>	65	<b>68</b>	(235)
<b>Group's share of total comprehensive income/(loss)</b>	<b>36</b>	33	<b>10</b>	(35)
<b>Dividends received by the Group during the year</b>	<b>36</b>	33	<b>5</b>	6
<b>Balance sheet</b>				
<b>Non-current assets</b>	<b>270</b>	289	<b>1,682</b>	1,667
<b>Current assets</b>				
Cash and cash equivalents	<b>654</b>	743	<b>123</b>	133
Other current assets	<b>613</b>	541	<b>74</b>	65
	<b>1,267</b>	1,284	<b>197</b>	198
<b>Current liabilities</b>				
Trade and other payables	<b>(897)</b>	(914)	<b>(64)</b>	(56)
Provisions	<b>(49)</b>	(48)	–	–
Borrowings – non-recourse	–	(179)	<b>(19)</b>	(19)
Other current liabilities	<b>(101)</b>	(142)	<b>(10)</b>	(5)
	<b>(1,047)</b>	(1,283)	<b>(93)</b>	(80)
<b>Non-current liabilities</b>				
Trade and other payables	<b>(126)</b>	(94)	–	–
Provisions	<b>(33)</b>	(28)	–	–
Borrowings – non-recourse	<b>(189)</b>	–	<b>(1,137)</b>	(1,167)
Other non-current liabilities (including shareholder loans)	<b>(20)</b>	(37)	<b>(419)</b>	(421)
	<b>(368)</b>	(159)	<b>(1,556)</b>	(1,588)
<b>Net assets (100%)</b>	<b>122</b>	131	<b>230</b>	197
<b>Reconciliation of the above summarised financial information to the carrying amount of the interest in the above joint ventures recognised in the consolidated financial statements:</b>				
Net assets of joint venture (100%)	<b>122</b>	131	<b>230</b>	197
Group's share of net assets	<b>61</b>	66	<b>35</b>	30
Add: Group's interest in shareholder loans	–	–	<b>26</b>	27
Goodwill	<b>31</b>	33	–	–
<b>Carrying amount of the Group's interest in the joint venture</b>	<b>92</b>	99	<b>61</b>	57



19 Investments in joint ventures and associates continued

19.5 Cash flow from/(to) joint ventures and associates

	Infrastructure Investments				Infrastructure Investments			
	UK <sup>^</sup> 2023 £m	North America 2023 £m	Other 2023 £m	Total 2023 £m	UK <sup>^</sup> 2022 £m	North America 2022 £m	Other 2022 £m	Total 2022 £m
<b>Cash flows from investing activities</b>								
Dividends from joint ventures and associates	9	15 <sup>+</sup>	36	60	11	103 <sup>x</sup>	34	148
Subordinated debt interest received	7	–	–	7	10	–	–	10
Investments in and loans to joint ventures and associates	(9)	(5)	–	(14)	(7)	(22)	–	(29)
Equity	(9)	(5)	–	(14)	(8)	(22)	–	(30)
Subordinated debt repaid	–	–	–	–	1	–	–	1
Return of equity from joint ventures and associates	–	4 <sup>+</sup>	–	4	–	34 <sup>x</sup>	–	34
Disposal of investments in joint ventures	–	–	–	–	–	–	1	1
<b>Net cash flow from joint ventures and associates</b>	<b>7</b>	<b>14</b>	<b>36</b>	<b>57</b>	<b>14</b>	<b>115</b>	<b>35</b>	<b>164</b>

<sup>^</sup> Including Ireland.

<sup>+</sup> In 2023, dividends and return of equity from joint ventures and associates included £1m and £4m respectively of proceeds generated from the disposal of Moretti Apartments.

<sup>x</sup> In 2022, dividends and return of equity from joint ventures and associates included £59m and £34m respectively of proceeds generated from the disposal of Infrastructure Investments assets, of which £12m, £50m, £4m, £13m and £14m respectively of proceeds were generated from the disposal of Regard at Med Center, Aspire at Discovery Park, Preserve at Southwind, Preserve at Bartlett and Waterchase Apartments.

19.6 Share of reserves of joint ventures and associates

	Accumulated profit/(loss) £m	Hedging reserve £m	PPP financial assets £m	Currency translation reserve £m	Total (Note 32.1) £m
At 1 January 2022	8	(54)	80	38	72
Currency translation differences	–	–	–	23	23
Income recognised	105	–	–	–	105
Fair value revaluation of PPP financial assets	–	–	(124)	–	(124)
Fair value revaluation of cash flow hedges	–	29	–	–	29
Actuarial movements on retirement benefit assets/liabilities	1	–	–	–	1
Tax on items taken directly to other comprehensive income	–	(5)	30	–	25
Dividends	(148)	–	–	–	(148)
Recycling of revaluation reserves to the income statement on disposal	–	–	–	(3)	(3)
At 31 December 2022	(34)	(30)	(14)	58	(20)
Currency translation differences	–	–	–	(13)	(13)
Income recognised	53	–	–	–	53
Fair value revaluation of PPP financial assets	–	–	20	–	20
Fair value revaluation of cash flow hedges	–	2	–	–	2
Actuarial movements on retirement benefit assets/liabilities	(1)	–	–	–	(1)
Tax on items taken directly to other comprehensive income	–	(1)	(4)	–	(5)
Dividends	(60)	–	–	–	(60)
Recycling of revaluation reserves to the income statement on disposal	–	(9)	6	–	(3)
<b>At 31 December 2023</b>	<b>(42)</b>	<b>(38)</b>	<b>8</b>	<b>45</b>	<b>(27)</b>

## 20 Investments

### 20.1 Group

	Corporate bonds £m	Investments in mutual funds £m	Other £m	Total £m
At 1 January 2022	2	24	9	35
Currency translation differences	–	2	–	2
Additions	–	–	7	7
Fair value (losses)/gains	–	(5)	6	1
Interest accrued	–	1	–	1
Benefits paid	–	(2)	–	(2)
Dividends	–	–	(4)	(4)
At 31 December 2022	2	20	18	40
Additions	–	–	2	2
Fair value gains/(losses)	–	1	(1)	–
Maturities	(2)	–	(7)	(9)
Interest accrued	–	1	–	1
Benefits paid	–	(3)	–	(3)
Dividends	–	–	(3)	(3)
<b>At 31 December 2023</b>	<b>–</b>	<b>19</b>	<b>9</b>	<b>28</b>

The investments in mutual funds comprise holdings in a number of funds, based on employees' investment elections, in respect of the deferred compensation obligations of the Group as disclosed in Note 30.2. The fair value of these investments is £19m (2022: £20m), determined by the market price of the funds at the reporting date.

Other investments relate to the Group's interest in two Limited Partnerships (LPs) incorporated in Bermuda. The principal activity of the two LPs is to receive carried interest from a fund. Carry interest refers to a performance fee payable once the performance of the fund exceeds agreed hurdles. During the year, the Group recognised a fair value loss in relation to its carry interest of £1m (2022: £6m gain). The fund matures in January 2025. All gains will be realised by the final maturity date. Dividends of £3m were received from the fund in the year (2022: £4m).

Included in other investments is also £2m (2022: £7m) of cash held in term deposits that have a maturity date of more than three months.

### 20.2 Company

	2023 £m	2022 £m
Investment in subsidiaries	1,771	1,759
Provisions	(26)	(26)
	<b>1,745</b>	<b>1,733</b>

The increase of investment in subsidiaries of £12m (2022: £7m) relates to new capital injected into the Company's existing subsidiaries. Including provisions recognised to date, the Directors have assessed the Company's investment in subsidiaries to be fully recoverable.

## 21 PPP financial assets

	Economic infrastructure £m	Social infrastructure £m	Total £m
At 1 January 2022	23	7	30
Income recognised in the income statement:			
– interest income (Note 8)	2	–	2
Losses recognised in the statement of comprehensive income:			
– fair value movements	(3)	–	(3)
Other movements:			
– cash expenditure	2	–	2
– cash received	(3)	(2)	(5)
At 31 December 2022	21	5	26
Income recognised in the income statement:			
– interest income (Note 8)	2	–	2
Other movements:			
– cash expenditure	2	–	2
– cash received	(6)	–	(6)
<b>At 31 December 2023</b>	<b>19</b>	<b>5</b>	<b>24</b>

Assets constructed by PPP subsidiary concession companies are classified as financial assets measured at fair value through OCI and are denominated in sterling. The maximum exposure to credit risk at the reporting date is the fair value of the PPP financial assets.

There were no impairment provisions in 2023 or 2022.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 22 Inventories

	2023 £m	2022 £m
Raw materials and consumables	69	81
Development and housing land and work in progress	54	32
Finished goods and goods for resale	1	1
	<b>124</b>	114

### 23 Contract balances

The timing of revenue recognition, billings and cash collection results in trade receivables (billed amounts), contract assets (unbilled amounts) and customer advances and deposits (contract liabilities) on the Group's balance sheet. For services in which revenue is earned over time, amounts are billed in accordance with contractual terms, either at periodic intervals or upon achievement of contractual milestones. The timing of revenue recognition is measured in accordance with the progress of delivery on a contract which could either be in advance or in arrears of billing, resulting in either a contract asset or a contract liability.

#### 23.1 Contract assets

	£m
At 1 January 2022	214
Currency translation differences	6
Transfers from contract assets recognised at the beginning of the year to receivables	(196)
Increase related to services provided in the year	304
Reclassified from contract provisions (Note 26)	(1)
Reclassified from contract liabilities (Note 23.2)	(21)
Impairments on contract assets recognised at the beginning of the year	(6)
At 31 December 2022	300
Currency translation differences	<b>(4)</b>
Transfers from contract assets recognised at the beginning of the year to receivables	<b>(241)</b>
Increase related to services provided in the year	<b>265</b>
Reclassified from contract liabilities (Note 23.2)	<b>(11)</b>
Impairments on contract assets recognised at the beginning of the year	<b>(9)</b>
<b>At 31 December 2023</b>	<b>300</b>

#### 23.2 Contract liabilities

	£m
At 1 January 2022	(678)
Currency translation differences	(39)
Revenue recognised against contract liabilities at the beginning of the year	578
Increase due to cash received, excluding amounts recognised as revenue during the year	(547)
Reclassified to contract assets (Note 23.1)	21
At 31 December 2022	(665)
Currency translation differences	<b>19</b>
Revenue recognised against contract liabilities at the beginning of the year	<b>561</b>
Increase due to cash received, excluding amounts recognised as revenue during the year	<b>(528)</b>
Reclassified to contract assets (Note 23.1)	<b>11</b>
<b>At 31 December 2023</b>	<b>(602)</b>

The amount of revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous periods amounted to £4m (2022: £12m).

## 24 Trade and other receivables

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
<b>Current</b>				
Trade receivables	484	526	–	–
Less: provision for impairment of trade receivables	(8)	(3)	–	–
	<b>476</b>	523	–	–
Due from subsidiaries	–	–	–	1,560
Due from joint ventures and associates	16	16	–	–
Due from joint operation partners	4	6	–	–
Contract fulfilment assets	19	13	–	–
Contract retentions receivable	227	194	–	–
Accrued income	13	15	–	–
Prepayments	57	56	–	–
Other receivables	82	58	1	–
	<b>894</b>	881	<b>1</b>	1,560
<b>Non-current</b>				
Due from subsidiaries	–	–	279	–
Due from joint ventures and associates	111	86	1	1
Contract fulfilment assets	40	31	–	–
Contract retentions receivable	150	166	–	–
Other receivables	7	3	3	1
	<b>308</b>	286	<b>283</b>	2
<b>Total trade and other receivables</b>	<b>1,202</b>	1,167	<b>284</b>	1,562
<b>Comprising</b>				
Financial assets (Note 40)	1,145	1,111	284	1,562
Non-financial assets – prepayments	57	56	–	–
	<b>1,202</b>	1,167	<b>284</b>	1,562

Based on prior experience, an assessment of the current economic environment and a review of the financial circumstances of individual customers, the Directors believe no further credit risk provision is required in respect of the financial assets above.

The Directors consider that the carrying values of current and non-current trade and other receivables approximate their fair values.

Amounts due from subsidiaries of the Company are repayable on demand and have been adjusted for expected credit losses, which are not material.

### Maturity profile of impaired trade receivables and trade receivables past due but not impaired

	Impaired		Past due but not impaired	
	Group 2023 £m	Group 2022 £m	Group 2023 £m	Group 2022 £m
Up to three months	4	–	26	37
Three to six months	–	–	7	8
Six to nine months	1	1	6	4
Nine to 12 months	1	–	5	3
More than 12 months	2	2	10	29
	<b>8</b>	3	<b>54</b>	81

At 31 December 2023, trade receivables of £54m (2022: £81m) were past due but not impaired. These relate to a number of individual customers where there is no reason to believe that the receivable is not recoverable.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 25 Trade and other payables

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
<b>Current</b>				
Trade and other payables	602	605	–	–
Accruals	788	741	3	6
Contract retentions payable	213	175	–	–
VAT, payroll taxes and social security	131	74	–	–
Due to subsidiaries	–	–	588	2,046
	<b>1,734</b>	1,595	<b>591</b>	2,052
<b>Non-current</b>				
Accruals	9	10	–	–
Contract retentions payable	104	122	–	–
Due to joint ventures and associates	9	9	3	3
Borrowings from subsidiaries	–	–	271	–
	<b>122</b>	141	<b>274</b>	3
<b>Total trade and other payables</b>	<b>1,856</b>	1,736	<b>865</b>	2,055
<b>Comprising</b>				
Financial liabilities (Note 40)	1,708	1,638	865	2,055
Non-financial liabilities:				
– accruals not at amortised cost	17	24	–	–
– VAT, payroll taxes and social security	131	74	–	–
	<b>1,856</b>	1,736	<b>865</b>	2,055

Borrowings from subsidiaries include a loan to the Company from Balfour Beatty Overseas Investments Limited. The loan matures in December 2033 and bears interest at 1.35% plus SONIA. Amounts due to the Company's subsidiaries are repayable on demand.

#### Maturity profile of the Group's non-current financial liabilities at 31 December

	Accruals 2023 £m	Contract retentions payable 2023 £m	Due to joint ventures and associates 2023 £m	Total 2023 £m
Due within one to two years	5	81	3	89
Due within two to five years	4	23	1	28
Due after more than five years	–	–	5	5
	<b>9</b>	<b>104</b>	<b>9</b>	<b>122</b>

	Accruals 2022 £m	Contract retentions payable 2022 £m	Due to joint ventures and associates 2022 £m	Total 2022 £m
Due within one to two years	4	70	1	75
Due within two to five years	6	52	4	62
Due after more than five years	–	–	4	4
	10	122	9	141

The Directors consider that the carrying values of current and non-current trade and other payables and contract retentions payable approximate their fair values. The fair value of non-current trade and other payables and contract retentions payable has been determined by discounting future cash flows using yield curves and exchange rates prevailing at the reporting date.





## 26 Provisions

	Contract provisions £m	Employee provisions £m	Other provisions £m	Total £m
At 1 January 2022	321	36	22	379
Currency translation differences	9	–	1	10
Reclassified from accruals	–	–	1	1
Charged/(credited) to the income statement:				
– additional provisions	134	6	2	142
– unused amounts reversed	(48)	(2)	–	(50)
Utilised during the year	(80)	(7)	(3)	(90)
Reclassified to contract assets (Note 23)	(1)	–	–	(1)
Reclassified negative investment in Group's investments in joint ventures and associates (Note 19.2)	–	–	10	10
At 31 December 2022	335	33	33	401
Currency translation differences	(3)	–	(1)	(4)
Charged/(credited) to the income statement:				
– additional provisions	170	9	4	183
– unused amounts reversed	(59)	(2)	–	(61)
Utilised during the year	(91)	(7)	(4)	(102)
<b>At 31 December 2023</b>	<b>352</b>	<b>33</b>	<b>32</b>	<b>417</b>

	Contract provisions 2023 £m	Employee provisions 2023 £m	Other provisions 2023 £m	Total 2023 £m	Contract provisions 2022 £m	Employee provisions 2022 £m	Other provisions 2022 £m	Total 2022 £m
Due within one year	190	8	18	216	174	7	23	204
Due within one to two years	97	4	7	108	77	7	3	87
Due within two to five years	49	10	4	63	53	10	4	67
Due after more than five years	16	11	3	30	31	9	3	43
	<b>352</b>	<b>33</b>	<b>32</b>	<b>417</b>	335	33	33	401

Contract provisions include construction insurance liabilities, principally in the Group's self-insurance arrangements, which cover claims relating to contractors all risk, public liability and professional indemnity. Contract provisions also include loss provisions, and defect and warranty provisions on contracts, primarily construction contracts, that have reached practical completion. There is a latent defect period for which the provision is held, but where there are known identified issues then the provision may be required to cover rectification work over a more extended period.

Employee provisions are principally liabilities relating to employers' liability insurance retained in the Group's self-insurance arrangements.

Other provisions principally comprise: motor and other insurance liabilities in the Group's self-insurance arrangements; legal claims and costs, where provision is made for the Directors' best estimate of known legal claims, investigations and legal actions in progress; and environmental provisions.

The Group takes actuarial advice when establishing the level of provisions in the Group's self-insurance arrangements and certain other categories of provision.

Insurance-related provisions within these categories were £70m (2022: £64m) as follows: Contract provisions £49m (2022: £44m); Employee provisions £16m (2022: £16m); and Other, mainly motor, provisions £5m (2022: £4m).

## 27 Cash and cash equivalents and borrowings

### 27.1 Group

	Current 2023 £m	Non-current 2023 £m	Total 2023 £m	Current 2022 £m	Non-current 2022 £m	Total 2022 £m
Unsecured borrowings at amortised cost						
– Bank overdrafts	(104)	–	(104)	–	–	–
– US private placement (Note 27.2)	–	(162)	(162)	(173)	(172)	(345)
	(104)	(162)	(266)	(173)	(172)	(345)
Cash and deposits at amortised cost	890	–	890	828	–	828
Term deposits at amortised cost	218	–	218	332	–	332
Cash and cash equivalents (excluding infrastructure concessions)	1,108	–	1,108	1,160	–	1,160
	1,004	(162)	842	987	(172)	815
Non-recourse infrastructure concessions project finance loans at amortised cost with final maturity between 2024 and 2072	(9)	(561)	(570)	(30)	(231)	(261)
Infrastructure concessions cash and cash equivalents	306	–	306	19	–	19
	297	(561)	(264)	(11)	(231)	(242)
<b>Net cash/(borrowings)</b>	<b>1,301</b>	<b>(723)</b>	<b>578</b>	<b>976</b>	<b>(403)</b>	<b>573</b>

The Company, together with certain of its UK subsidiaries, operates a notional pooling facility with a main relationship UK clearing bank where overdraft balances are offset with cash balances and interest is calculated on a net basis. During the year ended 31 December 2023, the Group maintained a net cash position on this pooling facility, so there was no interest payable to the bank in respect of these bank overdrafts. Overdraft balances and cash held at this bank have been reported gross in the Group balance sheet at 31 December 2023 as there was no intention to settle the bank overdrafts at that date.

The loans relating to project finance arise under non-recourse facilities taken out by project-specific subsidiary companies. The loans of each company are secured by a combination of fixed and floating charges over that company's interests in its project's assets and revenues and the shares in the company held by its immediate parent company.

Term deposits are held on a short-term basis and are readily accessible to the Group at any time with insignificant break costs.

Included in cash and cash equivalents is restricted cash of £12m (2022: £3m) held by the Group's self-insurance company, Delphian Insurance Company Ltd, which is subject to Isle of Man insurance solvency regulations.

Cash and cash equivalents also include: £77m (2022: £194m) within construction project bank accounts which is used for project specific expenditure; £369m (2022: £253m) in relation to the Group's share of cash held by joint operations which is used for expenditure within the joint operation projects; and £306m (2022: £19m) relating to maintenance and other reserve accounts in Infrastructure Investments subsidiaries, of which £277m is reserved for the construction of University of Sussex's West Slope student accommodation project.

### Maturity profile of the Group's borrowings at 31 December

	Non-recourse project finance 2023 £m	Other borrowings 2023 £m	Total 2023 £m	Non-recourse project finance 2022 £m	Other borrowings 2022 £m	Total 2022 £m
Due on demand or within one year	(9)	(104)	(113)	(30)	(173)	(203)
Due within one to two years	(10)	(39)	(49)	(8)	–	(8)
Due within two to five years	(181)	(27)	(208)	(25)	(70)	(95)
Due after more than five years	(370)	(96)	(466)	(198)	(102)	(300)
	(570)	(266)	(836)	(261)	(345)	(606)

The carrying values of the Group's borrowings are equal to the fair values at the reporting date. The fair values are determined by discounting future cash flows using yield curves and exchange rates prevailing at the reporting date.

### Undrawn Group committed borrowing facilities at 31 December in respect of which all conditions precedent were satisfied

	Non-recourse project finance 2023 £m	Other borrowings 2023 £m	Total 2023 £m	Non-recourse project finance 2022 £m	Other borrowings 2022 £m	Total 2022 £m
Expiring in one year or less	–	30	30	–	–	–
Expiring in more than one year but not more than two years	–	–	–	–	405	405
Expiring in more than two years	–	475	475	–	–	–
	–	505	505	–	405	405

In June 2023, the Group completed the refinancing of its core £375m revolving credit facility which was set to expire in October 2024, replacing it with a new £475m facility that will expire in June 2027 (the RCF). The RCF has an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility. The RCF is a Sustainability Linked Loan (SLL), under the terms of which the Group is incentivised to deliver annual measurable performance improvement in three key areas: Carbon Emissions, Social Value generation and an independent Environment, Social and Governance (ESG) rating score – these areas of performance and the associated metrics are to be reviewed and updated in 2024.

## 27 Cash and cash equivalents and borrowings continued

### 27.1 Group continued

The Group also has a £30m bilateral committed facility which is also a SLL. This facility is on similar terms to the main RCF and has an initial maturity of December 2024, but following the refinancing of the main RCF the Group holds an extension option to extend maturity on this bilateral facility to December 2027. As at 31 December 2023 the Group had not triggered the bilateral committed facility's extension option.

The RCF and the £30m bilateral committed facility were both undrawn at 31 December 2023.

### 27.2 US private placement

In March 2013, the Group raised US\$350m (£231m) of borrowings through a US private placement (USPP) of a series of notes with an average coupon of 4.94% per annum and an average maturity of 9.3 years. On 7 March 2018, the Group repaid the first tranche of these notes amounting to US\$45m (£32.5m). On 5 March 2020, the Group repaid the second tranche of these notes amounting to US\$46m (£36m). On 3 March 2023, the Group repaid the third tranche of these notes amounting to US\$209m (£169m). At 31 December 2023, US\$50m (£39m) remain with a coupon of 5.3% and a remaining maturity of 1.2 years.

In June 2022, the Group raised US\$158m (£130m) of debt in the form of new USPP notes on terms and conditions materially the same as the existing USPP notes. The new debt comprises US\$35m of notes maturing in June 2027 at a fixed coupon of 6.31%, US\$80m of notes maturing in June 2029 at a fixed coupon of 6.39% and US\$43m of notes maturing in June 2032 at a fixed coupon of 6.45%. At 31 December 2023, the US\$158m new USPP notes have an average coupon of 6.4% per annum and a remaining average maturity of 5.9 years.

### 27.3 Company

	Current 2023 £m	Non-current 2023 £m	Total 2023 £m	Current 2022 £m	Non-current 2022 £m	Total 2022 £m
Cash	150	–	150	95	–	95
Term deposits	218	–	218	329	–	329
Bank overdrafts	(58)	–	(58)	(45)	–	(45)
US private placement (Note 27.2)	–	(162)	(162)	(173)	(172)	(345)
<b>Net cash/(borrowings)</b>	<b>310</b>	<b>(162)</b>	<b>148</b>	<b>206</b>	<b>(172)</b>	<b>34</b>

## 28 Lease liabilities

### 28.1 Movements

	Land and buildings £m	Plant and equipment £m	Motor vehicles £m	Total £m
At 1 January 2022	55	25	49	129
Currency translation differences	4	–	–	4
Additions	17	13	24	54
Payments made for lease liabilities*	(19)	(12)	(27)	(58)
Disposals	(2)	–	(1)	(3)
Interest on lease liabilities	3	1	2	6
At 31 December 2022	58	27	47	132
Currency translation differences	(2)	–	–	(2)
Additions	11	17	47	75
Lease modification	–	–	(1)	(1)
Payments made for lease liabilities*	(20)	(13)	(30)	(63)
Disposals	(1)	(1)	(2)	(4)
Interest on lease liabilities	3	1	2	6
<b>At 31 December 2023</b>	<b>49</b>	<b>31</b>	<b>63</b>	<b>143</b>

+ Payments made for lease liabilities include an interest element of £6m (2022: £6m).

### 28.2 Maturity analysis – contractual undiscounted cash flows

	Land and buildings 2023 £m	Plant and equipment 2023 £m	Motor vehicles 2023 £m	Total 2023 £m	Land and buildings 2022 £m	Plant and equipment 2022 £m	Motor vehicles 2022 £m	Total 2022 £m
Due within one year	13	10	27	50	16	9	24	49
Due within one to two years	10	7	19	36	11	7	14	32
Due within two to five years	17	14	20	51	20	10	11	41
Due after more than five years	13	4	–	17	13	4	–	17
<b>Total undiscounted cash flows</b>	<b>53</b>	<b>35</b>	<b>66</b>	<b>154</b>	<b>60</b>	<b>30</b>	<b>49</b>	<b>139</b>

### 28.3 Amounts recognised in the income statement

	2023 £m	2022 £m
Interest on lease liabilities	6	6
Expenses relating to short-term leases	123	121

## 29 Deferred tax

### 29.1 Group

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Net deferred tax position at 31 December

	Group 2023 £m	Group 2022 £m
Deferred tax assets	188	176
Deferred tax liabilities	(160)	(152)
	<b>28</b>	24

#### Movement for the year in the net deferred tax position

	Group £m
At 1 January 2022	5
Currency translation differences	(17)
Credited to income statement	17
Credited to other comprehensive income	19
Credited to equity	2
Research and development tax credits	(2)
At 31 December 2022	24
Currency translation differences	<b>9</b>
Charged to income statement	<b>(48)</b>
Credited to other comprehensive income	<b>48</b>
Charged to equity	<b>(2)</b>
Research and development tax credits	<b>(3)</b>
<b>At 31 December 2023</b>	<b>28</b>

The table below shows the deferred tax assets and liabilities before being offset where they relate to income taxes levied by the same tax authority.

#### Net deferred tax position

	Depreciation in excess of capital allowances £m	Retirement benefits £m	Unrelieved trading losses £m	Share-based payments £m	Provisions £m	Fair value adjustments £m	Derivatives £m	Other GAAP differences £m	Research and development credits £m	Total £m
At 1 January 2022	35	(69)	150	5	50	(85)	1	(87)	5	5
Currency translation differences	(1)	–	1	–	6	(12)	–	(11)	–	(17)
Transfers	–	–	–	–	–	(1)	–	1	–	–
Credited/(charged) to income statement	(8)	(11)	48	–	(5)	(6)	–	(1)	–	17
Credited/(charged) to other comprehensive income	–	20	–	–	–	–	(1)	–	–	19
Credited to equity	–	–	–	2	–	–	–	–	–	2
Research and development tax credits	–	–	–	–	–	–	–	–	(2)	(2)
At 31 December 2022	26	(60)	199	7	51	(104)	–	(98)	3	24
Currency translation differences	<b>1</b>	–	–	–	<b>(3)</b>	<b>6</b>	–	<b>5</b>	–	<b>9</b>
(Charged)/credited to income statement	<b>(24)</b>	<b>(11)</b>	<b>6</b>	<b>1</b>	<b>(24)</b>	–	–	<b>4</b>	–	<b>(48)</b>
Credited/(charged) to other comprehensive income	–	<b>49</b>	–	–	–	<b>(1)</b>	–	–	–	<b>48</b>
Charged to equity	–	–	–	<b>(2)</b>	–	–	–	–	–	<b>(2)</b>
Research and development tax credits	–	–	–	–	–	–	–	–	<b>(3)</b>	<b>(3)</b>
<b>At 31 December 2023</b>	<b>3</b>	<b>(22)</b>	<b>205</b>	<b>6</b>	<b>24</b>	<b>(99)</b>	–	<b>(89)</b>	–	<b>28</b>

As a result of the adoption of the amendment to IAS 12 in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction, the Group has provided further disclosure below to show the assets and liabilities to which the depreciation in excess of capital allowances relate.

	Property, plant and equipment £m	Right-of-use assets £m	Lease liabilities £m	Depreciation in excess of capital allowances £m
At 1 January 2023	25	(8)	9	26
Currency translation differences	<b>1</b>	–	–	<b>1</b>
(Charged)/credited to income statement	<b>(25)</b>	<b>3</b>	<b>(2)</b>	<b>(24)</b>
<b>At 31 December 2023</b>	<b>1</b>	<b>(5)</b>	<b>7</b>	<b>3</b>

## 29 Deferred tax continued

### 29.1 Group continued

#### Net deferred tax position continued

At the balance sheet date, the Group had unused trading tax losses of £1,207m (2022: £1,193m) available for offset against future profits, of which £828m (2022: £835m) arose in the UK, £37m (2022: £8m) in the US and £342m (2022: £350m) in other jurisdictions.

A deferred tax asset has been recognised in respect of £821m (2022: £794m) of such losses, of which £786m (2022: £789m) have been recognised in the UK and £35m (2022: £5m) in the US. In considering the amount of deferred tax asset to be recognised for UK and US tax losses, the potential use of those losses based on the latest current and forecast business performance was assessed, and losses were recognised where it is probable that they will be utilised.

No deferred tax asset has been recognised in respect of the losses of £386m (2022: £399m) where it is considered that it is not probable that they will be utilised due to restrictions in use and unpredictability of future profitability.

Of the Group's tax losses, £7m (2022: £3m) will expire within 20 years after the year in which they arose, using losses incurred in earlier years before those incurred in later years. Other losses will be carried forward indefinitely.

In addition to the losses referred to above, at 31 December 2023 the Group had UK capital losses available to carry forward of £1.4bn (2022: £1.4bn). No deferred tax assets have been recognised in respect of these losses as there are no capital profits forecast against which these losses can be utilised.

Deferred tax liabilities on fair value adjustments of £99m (2022: £104m) relate to temporary differences arising on goodwill and intangibles. Deferred tax liabilities on other GAAP differences of £89m (2022: £98m) relate to temporary differences on joint ventures.

At the reporting date, undistributed reserves of non-UK subsidiaries, joint ventures and associates for which deferred tax liabilities have not been recognised were £607m (2022: £665m) in respect of subsidiaries and £42m (2022: £45m) in respect of joint ventures and associates. No liability has been recognised in respect of these differences because either no temporary difference arises or the timing of any distribution is under the Group's control and no distribution which gives rise to taxation is contemplated.

### 29.2 Company

The table below shows the deferred tax assets and liabilities before being offset where they relate to income taxes levied by the same tax authority.

	Unrelieved trading losses £m	Share-based payments £m	Total deferred tax assets £m
At 1 January 2022	–	–	–
Credited to income statement	1	–	1
Credited to equity	–	1	1
At 31 December 2022	1	1	2
Credited to income statement	<b>3</b>	–	<b>3</b>
Credited to equity	–	–	–
<b>At 31 December 2023</b>	<b>4</b>	<b>1</b>	<b>5</b>

## 30 Retirement benefit assets and liabilities

### 30.1 Introduction

The Group, through trustees, operates a number of defined contribution and defined benefit pension schemes.

Defined contribution schemes are those where the Group's obligation is limited to the amount that it contributes to the scheme and the scheme members bear the investment and actuarial risks.

Defined benefit schemes are schemes other than defined contribution schemes where the Group's obligation is to provide specified benefits on retirement.

IAS 19 Employee Benefits (IAS 19) prescribes the accounting for defined benefit schemes in the Group's financial statements. Obligations are calculated using the projected unit credit method and discounted to a net present value using the market yield on high-quality corporate bonds. The pension expense relating to current service cost is charged to contracts or overheads based on the function of scheme members and is included in cost of sales and net operating expenses. The net finance income arising from the expected interest income on plan assets and interest cost on scheme obligations is included in investment income. Actuarial gains and losses are reported in the statement of comprehensive income. The IAS 19 accounting valuations are set out in Note 30.2.

A different calculation is used for the formal triennial funding valuations undertaken by the scheme trustees to determine the future Company contribution level necessary so that over time the scheme assets will meet the scheme obligations. The principal difference between the two methods is that under the funding basis the obligations are discounted using a rate of return reflecting the composition of the assets in the scheme, rather than the rate of return on high-quality corporate bonds as required by IAS 19 for the financial statements. Details of the latest formal triennial funding valuations are set out in Note 30.3.

The assets of the schemes do not include any direct holdings of the Group's financial instruments, nor any property occupied by, or other assets of, the Group.





### 30 Retirement benefit assets and liabilities continued

#### 30.1 Introduction continued

##### Principal schemes

The Group's principal schemes are the Balfour Beatty Pension Fund (BBPF), which includes defined contribution and defined benefit sections, and the Balfour Beatty Shared Cost Section of the Railways Pension Scheme (RPS). The defined benefit sections of both schemes are funded and closed to new members with the exception of employees where employment has transferred to the Group under certain agreed arrangements. Pension benefits for defined benefit schemes are based on employees' pensionable service and their pensionable salary.

The schemes operate under trust law and are managed and administered by trustees on behalf of the members in accordance with the terms of the trust deed and rules and relevant legislation. Defined benefit contributions are determined in consultation with the trustees, after taking actuarial advice. The trustees are responsible for establishing the investment strategy and ensuring that there are sufficient assets to meet the cost of current and future benefits.

These schemes expose the Group to investment and actuarial risks where additional contributions may be required if assets are not sufficient to pay future pension benefits:

- » investment risk: the investment portfolio is subject to a range of risks typical of the investments held, for example, credit risk on corporate bond holdings; and
- » actuarial risk: the ultimate cost of providing pension benefits is affected by inflation rates and members' life expectancy. The net present value of the obligations is affected by the market yield on high-quality corporate bonds used to discount the obligations.

Changes in the principal actuarial assumptions based on market data, such as inflation and the discount rate, and experience, such as life expectancy, expose the Group to fluctuations in the net IAS 19 liability and the net finance cost.

##### Balfour Beatty Pension Fund

The investment strategy of the BBPF is to hold assets of appropriate liquidity and marketability to generate income and capital growth. The BBPF invests partly in a diversified range of assets including corporate bonds, equities and hedge funds in anticipation that, over the longer term, they will grow in value faster than the scheme's obligations. The BBPF has been undertaking a phased withdrawal from equities and hedge funds. The only residual equities held are a very small amount of emerging market equities held via pooled funds. The remaining BBPF assets are principally fixed and index-linked bonds and derivatives, providing protection against movements in inflation and interest rates and hence enhancing the resilience of the funding level of the scheme. The performance of the assets is measured against market indices.

The BBPF's defined benefit section is exposed to a number of liability related risks, namely changes in gilt yields, inflation and the longevity of the scheme's members.

With respect to interest rate and inflation risks, the trustee seeks to mitigate the majority of these risks through its liability hedging portfolio. This is a segregated portfolio of hedging assets which includes physical gilts, gilt repurchase agreements and interest rate and inflation swaps. The current objective of the portfolio is to hedge 100% of the impact that changes in interest rates and inflation can have on the funding position.

The BBPF's Fiduciary Manager and Investment Committee closely monitor the collateral being held within the liability hedging portfolio to ensure that the scheme holds sufficient collateral to support its liability hedging programme.

With respect to longevity risk the BBPF has a longevity swap contract as part of the investment portfolio which will provide income in the event that pensions are paid out for longer. The fair value of the longevity swap has been included as part of the fair value of plan assets.

The Group operates a Scottish Limited Partnership (SLP) structure which holds the Group's 40% interest in the Birmingham Hospital PFI investment and the Group's 15% share of the Connect Plus (M25) asset. The BBPF is a partner in the SLP and is entitled to a share of the income of the SLP. In accordance with IFRS 10 Consolidated Financial Statements, the SLP is deemed to be controlled by the Group, which retains the ability to substitute the investment in the Birmingham Hospital PFI investment and the Connect Plus (M25) asset for other investments from time to time.

Under IAS 19, the investment held by the BBPF in the SLP does not constitute a plan asset and therefore the pension surplus presented in these financial statements does not reflect the BBPF's interest in the SLP. Distributions from the SLP to the BBPF will be reflected in the Group's financial statements as pension contributions on a cash basis. In 2023, the BBPF received distributions of £2m from the SLP (2022: £2m).

Balfour Beatty and the trustees of the BBPF have reconfirmed their commitment to a journey plan approach to managing the BBPF with the aim of reaching self-sufficiency by 2027. The Company and trustees have agreed the 31 March 2022 formal valuation and as a result Balfour Beatty made deficit contributions to the BBPF of £19m in 2023 (2022: £35m) and has agreed to pay deficit contributions to the BBPF of £24m in 2024 and £6m in 2025. The Company and the trustees expect to take further steps over the coming months to reduce the overall risk in the scheme and the Company has agreed that additional amounts will become payable at £2m per month from March 2025 if the BBPF's performance is materially different from that expected. The next formal triennial funding valuation is due with effect from 31 March 2025.

This agreement constitutes a minimum funding requirement (MFR) under IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group has not recognised any liabilities in relation to this MFR as any surplus of deficit contributions to the BBPF would be recoverable by way of a refund and the Group has the unconditional right to the surplus and controls the run-off of the benefit obligations once all other obligations of the BBPF have been settled.

## 30 Retirement benefit assets and liabilities continued

### 30.1 Introduction continued

#### Railways Pension Scheme

The RPS is a shared cost scheme. The legal responsibility of the Group in the RPS is approximately 60% of the scheme's assets and liabilities based on the relevant provisions of the trust deed and rules and trustee guidelines regarding future surplus apportionments and deficit financing.

The assumed cost of providing future service benefits is split between the Group and the members in the ratio 60:40.

Because of a declining population of active members, it has become less likely that the Group's costs of meeting any deficits would be capped in line with its strict legal obligation of 60% as members might only be able to afford to fund a small proportion of the scheme deficit. It has therefore been assumed that the Group will be responsible for 100% of any deficit and the balance sheet assets and obligations disclosed, therefore, are equal to 100% of the total scheme assets and obligations.

The RPS invests in a range of pooled investment funds intended to generate a combination of capital growth and income and, as determined by the trustee, taking account of the characteristics of the obligations and the trustee's attitude to risk. The majority of the RPS's assets that are intended to generate additional returns, over the rate at which the obligations are expected to grow, are invested in a single pooled growth fund. This fund is invested in a wide range of asset classes and the fund manager Railpen has the discretion to vary the asset allocation to reflect its views on the relative attractiveness of different asset classes at any time. The remaining assets in the RPS are principally fixed and index-linked bonds.

The RPS is exposed to a number of liability related risks, namely changes in gilt yields, inflation and the longevity of the scheme's members. With respect to interest rate and inflation risks, the strategic asset allocation was reviewed and amended in 2023 to mitigate these risks by increasing the allocation to fixed and index-linked bond pooled funds. The current objective of the portfolio is to hedge around 100% of the impact that changes in interest rates and inflation can have on the funding position.

The formal triennial funding valuation of the RPS as at 31 December 2019 was completed in December 2021, with the Group agreeing to continue to make fixed deficit contributions of £6m per annum which should reduce the deficit to zero by 2025. This agreement constitutes a MFR under IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group has not recognised any liabilities in relation to this MFR as any surplus of deficit contributions to the RPS would be recoverable by way of a refund and the Group has the unconditional right to the surplus and controls the run-off of the benefit obligations once all other obligations of the RPS have been settled.

A formal triennial valuation of the RPS as at 31 December 2022 is currently ongoing. The trustee and Balfour Beatty have reached agreement in principle as to the financial and demographic assumptions to be adopted for the purpose of this valuation; which would include the Group continuing to make fixed deficit contributions of £6m per annum until February 2025.

#### Other schemes

Other schemes comprise unfunded post-retirement benefit obligations in Europe, the majority of which are closed to new entrants, and deferred compensation schemes in North America, where an element of employees' compensation is deferred and invested in investments in mutual funds (as disclosed in Note 20.1) in a trust, the assets of which are for the ultimate benefit of the employees but are available to the Group's creditors in the event of insolvency.

The Group also participates in The Plumbing & Mechanical Services Industry Pension Scheme (Plumbers Scheme), which is an industry-wide non-associated multi-employer defined benefit scheme. As the Plumbers Scheme does not segregate assets and liabilities between the different participating employers, the Group's only obligation to the Plumbers Scheme is to pay the contributions requested by the scheme trustees as they fall due. In accordance with IAS 19, this obligation has been accounted for on a defined contribution basis and the relevant employer contributions have been charged to the income statement.

#### Membership of the principal schemes

	Balfour Beatty Pension Fund 2023			Railways Pension Scheme 2023			Balfour Beatty Pension Fund 2022			Railways Pension Scheme 2022		
	Number of members	Defined benefit obligations £m	Average duration Years	Number of members	Defined benefit obligations £m	Average duration Years	Number of members	Defined benefit obligations £m	Average duration Years	Number of members	Defined benefit obligations £m	Average duration Years
Defined benefit												
– active members	1	1	12	70	26	17	1	1	12	92	33	16
– deferred pensioners	8,770	1,007	18	972	90	16	9,261	952	18	1,006	97	16
– pensioners, widow(er)s and dependants	16,764	1,493	9	1,904	204	10	16,946	1,511	9	1,874	170	10
Defined contribution	15,512	–	–	–	–	–	15,382	–	–	–	–	–
<b>Total</b>	<b>41,047</b>	<b>2,501</b>	<b>12</b>	<b>2,946</b>	<b>320</b>	<b>12</b>	<b>41,590</b>	<b>2,464</b>	<b>12</b>	<b>2,972</b>	<b>300</b>	<b>12</b>

30 Retirement benefit assets and liabilities continued

30.2 IAS 19 accounting valuations

Principal actuarial assumptions for the IAS 19 accounting valuations of the Group's principal schemes

	Balfour Beatty Pension Fund 2023 %	Railways Pension Scheme 2023 %	Balfour Beatty Pension Fund 2022 %	Railways Pension Scheme 2022 %
Discount rate	4.65	4.65	4.95	4.95
Inflation rate – RPI	3.15	3.15	3.35	3.35
– CPI	2.60	2.75	2.75	2.90
Future increases in pensionable salary	2.60	2.75	2.75	2.90
Rate of increase in pensions in payment (or such other rate as is guaranteed)	2.95	2.85	3.10	2.95

The BBPF actuary undertakes regular mortality investigations as part of the formal triennial valuation based on the experience exhibited by pensioners of the BBPF and due to the size of the membership of the BBPF is able to make comparisons of this experience with the mortality rates set out in the various published mortality tables. The actuary is also able to monitor changes in the exhibited mortality over time. This research is taken into account in the BBPF's mortality assumptions. The mortality assumptions as at 31 December 2023 have been updated to reflect the experience of BBPF pensioners for the period to 30 September 2021.

Similarly, the RPS actuary also undertakes regular mortality investigations as part of the formal triennial valuation based on the experience exhibited by pensioners of the RPS. In previous years, the mortality assumptions for the RPS have been set using the mortality analysis conducted for the BBPF for the reason of practicality given the assumed life expectancies have historically been similar for both schemes. However, these have diverged over time and the mortality assumptions adopted as at 31 December 2023 for the RPS have been updated in line with the experience analysis conducted as part of the ongoing 31 December 2022 triennial valuation, which considered experience analysis up to 31 December 2021.

Following the completion of the BBPF's 31 March 2022 triennial valuation, the future improvements assumption adopted for the BBPF and RPS has also been updated for 2023 to reflect the most recent model available, with the Group setting future improvements in line with the Continuous Mortality Investigation (CMI) 2022 core projections model.

BBPF life expectancies

	2023 Average life expectancy at 65 years of age		2022 Average life expectancy at 65 years of age	
	Male	Female	Male	Female
Members in receipt of a pension	21.3	23.0	21.7	23.4
Members not yet in receipt of a pension (current age 50)	22.2	23.9	22.6	24.3

RPS life expectancies

	2023 Average life expectancy at 65 years of age		2022 Average life expectancy at 65 years of age	
	Male	Female	Male	Female
Members in receipt of a pension	20.8	22.7	20.7	22.7
Members not yet in receipt of a pension (current age 50)	21.6	23.6	21.6	23.7

Amounts recognised in the income statement

The BBPF defined contribution employer contributions paid and charged to the income statement have been separately identified in the table below and the defined contribution section assets and liabilities amounting to £710m (2022: £628m) have been excluded from the tables on pages 227 to 228. Defined contribution charges for other schemes include contributions to multi-employer pension schemes.

	Balfour Beatty Pension Fund 2023 £m	Railways Pension Scheme 2023 £m	Other schemes 2023 £m	Total 2023 £m	Balfour Beatty Pension Fund 2022 £m	Railways Pension Scheme 2022 £m	Other schemes 2022 £m	Total 2022 £m
<b>Group</b>								
Current service cost	(2)	(1)	(1)	(4)	(2)	(2)	(1)	(5)
Defined contribution charge	(48)	–	(6)	(54)	(52)	–	(6)	(58)
Included in employee costs (Note 7)	(50)	(1)	(7)	(58)	(54)	(2)	(7)	(63)
Interest income	130	16	–	146	75	7	–	82
Interest cost	(118)	(14)	(2)	(134)	(69)	(8)	–	(77)
Net finance income/(cost) (Note 8)	12	2	(2)	12	6	(1)	–	5
<b>Total (charged)/credited to income statement</b>	<b>(38)</b>	<b>1</b>	<b>(9)</b>	<b>(46)</b>	<b>(48)</b>	<b>(3)</b>	<b>(7)</b>	<b>(58)</b>

## 30 Retirement benefit assets and liabilities continued

### 30.2 IAS 19 accounting valuations continued

Amounts recognised in the statement of comprehensive income

	Balfour Beatty Pension Fund 2023 £m	Railways Pension Scheme 2023 £m	Other schemes 2023 £m	Total 2023 £m	Balfour Beatty Pension Fund 2022 £m	Railways Pension Scheme 2022 £m	Other schemes 2022 £m	Total 2022 £m
Actuarial movements on pension scheme obligations	(70)	(21)	–	(91)	1,178	131	7	1,316
Actuarial movements on pension scheme assets	(85)	(21)	–	(106)	(1,314)	(54)	–	(1,368)
<b>Total actuarial movements recognised in the statement of comprehensive income (Note 32.1)</b>	<b>(155)</b>	<b>(42)</b>	<b>–</b>	<b>(197)</b>	<b>(136)</b>	<b>77</b>	<b>7</b>	<b>(52)</b>
Cumulative actuarial movements recognised in the statement of comprehensive income	(336)	(18)	(22)	(376)	(181)	24	(22)	(179)

The actual return on plan assets was a gain of £40m (2022: £1,286m loss).

Amounts recognised in the balance sheet

	Balfour Beatty Pension Fund 2023 £m	Railways Pension Scheme 2023 £m	Other schemes <sup>†</sup> 2023 £m	Total 2023 £m	Balfour Beatty Pension Fund 2022 £m	Railways Pension Scheme 2022 £m	Other schemes <sup>†</sup> 2022 £m	Total 2022 £m
Present value of obligations	(2,501)	(320)	(35)	(2,856)	(2,464)	(300)	(39)	(2,803)
Fair value of plan assets	2,602	323	–	2,925	2,689	337	–	3,026
<b>Asset/(liabilities) in the balance sheet</b>	<b>101</b>	<b>3</b>	<b>(35)</b>	<b>69</b>	<b>225</b>	<b>37</b>	<b>(39)</b>	<b>223</b>

+ Investments in mutual funds of £19m (2022: £20m) are held to satisfy the Group's deferred compensation obligations (Note 20.1).

The defined benefit obligations comprise £35m (2022: £39m) arising from wholly unfunded plans and £2,821m (2022: £2,764m) arising from plans that are wholly or partly funded.

The BBPF saw a reduction in corporate bond yields, which led to a corresponding reduction in the IAS19 discount rate, offset by some positive changes in demographic assumptions and led to an overall increase in the present value of obligations from 31 December 2022 to 31 December 2023. Conversely, and driven by challenging investment markets, the scheme's assets fell in value over 2023. These two factors compounded and resulted in a material reduction in the scheme's net assets from £225m to £101m over 2023.

Movement in the present value of obligations

	Balfour Beatty Pension Fund 2023 £m	Railways Pension Scheme 2023 £m	Other schemes 2023 £m	Total 2023 £m	Balfour Beatty Pension Fund 2022 £m	Railways Pension Scheme 2022 £m	Other schemes 2022 £m	Total 2022 £m
At 1 January	(2,464)	(300)	(39)	(2,803)	(3,718)	(437)	(46)	(4,201)
Currency translation differences	–	–	2	2	–	–	(3)	(3)
Current service cost	(2)	(1)	(1)	(4)	(2)	(2)	(1)	(5)
Interest cost	(118)	(14)	(2)	(134)	(69)	(8)	–	(77)
Actuarial movements from reassessing the difference between RPI and CPI	(2)	(2)	–	(4)	–	2	–	2
Actuarial movements from changes in demographic assumptions	17	(1)	–	16	–	–	–	–
Other financial actuarial movements	(85)	(16)	–	(101)	1,157	129	7	1,293
Experience (losses)/gains	–	(2)	–	(2)	21	–	–	21
Total actuarial movements	(70)	(21)	–	(91)	1,178	131	7	1,316
Benefits paid	153	16	5	174	147	16	4	167
<b>At 31 December</b>	<b>(2,501)</b>	<b>(320)</b>	<b>(35)</b>	<b>(2,856)</b>	<b>(2,464)</b>	<b>(300)</b>	<b>(39)</b>	<b>(2,803)</b>

30 Retirement benefit assets and liabilities continued

30.2 IAS 19 accounting valuations continued

Movement in the fair value of plan assets

	Balfour Beatty Pension Fund 2023 £m	Railways Pension Scheme 2023 £m	Total 2023 £m	Balfour Beatty Pension Fund 2022 £m	Railways Pension Scheme 2022 £m	Total 2022 £m
At 1 January	2,689	337	3,026	4,039	393	4,432
Interest income	130	16	146	75	7	82
Actuarial movements	(85)	(21)	(106)	(1,314)	(54)	(1,368)
Contributions from employer						
– regular funding	2	1	3	1	1	2
– ongoing deficit funding	19	6	25	35	6	41
Benefits paid	(153)	(16)	(169)	(147)	(16)	(163)
<b>At 31 December</b>	<b>2,602</b>	<b>323</b>	<b>2,925</b>	<b>2,689</b>	<b>337</b>	<b>3,026</b>

Fair value of the assets held by the schemes at 31 December

	Balfour Beatty Pension Fund 2023 £m	Railways Pension Scheme† 2023 £m	Total 2023 £m	Balfour Beatty Pension Fund 2022 £m	Railways Pension Scheme† 2022 £m	Total 2022 £m
Return-seeking	276	110	386	748	140	888
– Developed nation equities*	92	–	92	197	–	197
– Emerging market equities	–	–	–	30	–	30
– Hedge funds*	168	–	168	395	–	395
– Return-seeking growth pooled funds*	–	110	110	–	140	140
– Other return-seeking assets**	16	–	16	126	–	126
Liability-matching bond-type assets	1,822	212	2,034	1,423	197	1,620
– Corporate bonds	776	–	776	298	–	298
– Fixed interest gilts^	496	–	496	665	–	665
– Index-linked gilts^	554	137	691	604	111	715
– Currency hedging	15	–	15	28	–	28
– Liability-matching pooled funds~	–	75	75	–	86	86
– Interest and inflation rate swaps	(19)	–	(19)	(172)	–	(172)
Property*	40	–	40	98	–	98
Secure income assets**%	153	–	153	186	–	186
Fair value longevity swap	1	–	1	–	–	–
Cash and other	310	1	311	234	–	234
<b>Total</b>	<b>2,602</b>	<b>323</b>	<b>2,925</b>	<b>2,689</b>	<b>337</b>	<b>3,026</b>

† The amounts represent 100% of the scheme's assets.

^ Fixed interest gilts and index-linked gilts totalling £1,187m (2022: £1,380m) are assets held in pooled investment vehicles with underlying securities that have quoted prices in active markets. The remaining assets that are neither quoted nor traded on an active market are stated at fair value estimates provided by the manager of the investment or fund.

\* Level 3 assets with valuations based on unobservable inputs held by the BBPF include hedge funds, property funds, developed nation equities, secure income assets and other return seeking assets total £610m (2022: £1,099m). These are pooled investments stated at fair value provided by the fund managers, of which £130m (2022: £103m) have been valued on September 2023 valuations and £181m (2022: £nil) on November 2023 valuations, for which valuations were adjusted for cash movements that occurred in the last quarter of the year as a result of December 2023 valuations not being available as at the reporting date. The Directors consider these values to be a fair approximation for these assets at 31 December 2023.

@ Other return-seeking assets are alternative beta assets, which provide exposure to a range of risk premia that are intended to diversify portfolio returns from traditional equity and credit markets.

% Secure income assets reflect more illiquid investments that offer long term contractual cash flows that can be used for the payment of pensions.

\$ The RPS return-seeking growth pooled funds assets are the Growth Pooled Fund, Illiquid Growth Pooled Fund and the Private Equity Pooled Fund which are HMRC approved pooled funds.

~ The RPS liability-matching pooled funds are Long Term Income Pooled Funds which are HMRC approved pooled funds.

Estimated contributions expected to be paid to the Group's principal defined benefit schemes during 2024

	Balfour Beatty Pension Fund 2024 £m	Railways Pension Scheme 2024 £m	Total 2024 £m
Regular funding	1	1	2
Ongoing deficit funding*	24	6	30
Total contributions	25	7	32
Estimated BBPF running costs to be funded from deficit contributions*	(4)	–	(4)
<b>Estimated total cash contributions</b>	<b>21</b>	<b>7</b>	<b>28</b>

\* The running costs of the BBPF are funded from deficit contributions as per the BBPF schedule of contributions.



### 30 Retirement benefit assets and liabilities continued

#### 30.2 IAS 19 accounting valuations continued

The sensitivity analysis below has been determined based on reasonably possible changes in assumptions occurring at the end of the reporting period. In each case the relevant change in assumption occurs in isolation from potential changes in other assumptions. In practice more than one variable is likely to change at the same time. The sensitivities have been calculated using the projected unit credit method.

#### Sensitivity of the Group's retirement benefit obligations at 31 December 2023 to different actuarial assumptions

Assumptions	Sensitivity to increase in assumption			Sensitivity to decrease in assumption		
	Percentage points/years	(Decrease)/ increase in obligations %	(Decrease)/ increase in obligations £m	Percentage points/years	Increase/ (decrease) in obligations %	Increase/ (decrease) in obligations £m
Discount rate	0.5%	(5.7)%	(160)	(0.5)%	6.3%	177
Market expectation of RPI inflation	0.5%	4.0%	112	(0.5)%	(3.9)%	(111)
Salary growth	0.5%	<0.1%	–	(0.5)%	<(0.1)%	–
Life expectancy	1 year	4.0%	114	(1 year)	(4.1)%	(117)

#### Sensitivity of the Group's retirement benefit assets at 31 December 2023 to changes in market conditions

	Percentage points	(Decrease)/ increase in assets %	(Decrease)/ increase in assets £m
Increase in interest rates	0.5%	(5.4)%	(158)
Increase in market expectation of RPI inflation	0.5%	3.9%	113

The asset sensitivities only take into account the impact of the changes in market conditions on bond-type assets. The value of the schemes' return-seeking assets is not directly correlated with movements in interest rates or RPI inflation.

#### Year end historical information for the Group's retirement defined benefit schemes

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Present value of obligations	(2,856)	(2,803)	(4,201)	(4,317)	(3,959)
Fair value of assets	2,925	3,026	4,432	4,406	4,092
Surplus	69	223	231	89	133
Experience adjustment for obligations	(2)	21	1	5	(53)
Experience adjustment for assets	(106)	(1,368)	87	392	329
Total deficit funding	25	41	39	15	30

### 30.3 Latest formal triennial funding valuations

	Balfour Beatty Pension Fund £m	Railways Pension Scheme £m
Date of last formal triennial funding valuation	31/03/2022	31/12/2019
<b>Scheme deficit</b>		
Market value of assets	4,426	354
Present value of obligations	(4,414)	(380)
Surplus/(deficit) in defined benefit scheme	12	(26)
Funding level	100.3%	93.2%

### 31 Share capital

	2023		2022	
	Million	£m	Million	£m
Called-up share capital in issue	544	272	588	294

All issued ordinary shares are fully paid. Ordinary shares have a nominal value of £0.50 each and carry no right to fixed income but each share carries the right to one vote at general meetings of the Company. No ordinary shares were issued during the current or prior year.

In 2023 the Company commenced the third phase of its share buyback programme, which completed on 15 December 2023. The Company purchased 43.3m (2022: 52.0m) shares for a total consideration of £150m (2022: £150m) and held these shares in treasury with no voting rights. The purchase of these shares, together with associated fees and stamp duty amounting to £1m (2022: £1m), utilised £151m (2022: £151m) of the Company's distributable profits.

On 20 December 2023, the Company cancelled the 43.3m treasury shares purchased through the 2023 phase of its share buyback programme (2022: 102.3m). This cancellation resulted in a decrease in called-up share capital in issue of £22m (2022: £51m) and a corresponding increase in the capital redemption reserve.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 32 Movements in equity

#### 32.1 Group

	Called-up share capital 2023 £m	Share premium account 2023 £m	Capital redemption reserve 2023 £m	Share of joint ventures' and associates' reserves (Note 19.6) 2023 £m	Other reserves				Retained profits 2023 £m	Non-controlling interests 2023 £m	Total 2023 £m
					Hedging reserves 2023 £m	PPP financial assets 2023 £m	Currency translation reserve 2023 £m	Other <sup>†</sup> 2023 £m			
At 1 January 2023	294	176	52	(20)	(4)	1	132	41	706	5	1,383
Profit/(loss) for the year	-	-	-	53	-	-	-	-	144	(3)	194
Currency translation differences	-	-	-	(13)	-	-	(17)	-	-	-	(30)
Actuarial movements on retirement benefit assets/liabilities	-	-	-	(1)	-	-	-	-	(197)	-	(198)
Fair value revaluations	-	-	-	20	-	-	-	-	-	-	20
- PPP financial assets	-	-	-	2	-	-	-	-	-	-	2
- cash flow hedges	-	-	-	-	-	-	-	-	-	-	-
- investments in mutual funds measured at fair value through OCI	-	-	-	-	-	-	-	1	-	-	1
Recycling of revaluation reserves to the income statement on disposal <sup>‡</sup>	-	-	-	(3)	-	-	-	-	-	-	(3)
Tax on items recognised in other comprehensive income	-	-	-	(5)	(1)	-	-	-	49	-	43
Total comprehensive income/(loss) for the year	-	-	-	53	(1)	-	(17)	1	(4)	(3)	29
Ordinary dividends	-	-	-	-	-	-	-	-	(58)	-	(58)
Joint ventures' and associates' dividends	-	-	-	(60)	-	-	-	-	60	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(151)	-	(151)
Cancellation of ordinary shares	(22)	-	22	-	-	-	-	-	-	-	-
Movements relating to share-based payments <sup>*</sup>	-	-	-	-	-	-	-	4	(7)	-	(3)
Capital contribution	-	-	-	-	-	-	-	-	-	8	8
<b>At 31 December 2023</b>	<b>272</b>	<b>176</b>	<b>74</b>	<b>(27)</b>	<b>(5)</b>	<b>1</b>	<b>115</b>	<b>46</b>	<b>546</b>	<b>10</b>	<b>1,208</b>

<sup>‡</sup> Other reserves include £22m of special reserve.

<sup>\*</sup> Movements relating to share-based payments include £nil tax charge recognised directly within retained profits.

	Called-up share capital 2022 £m	Share premium account 2022 £m	Capital redemption reserve 2022 £m	Share of joint ventures' and associates' reserves (Note 19.6) 2022 £m	Other reserves				Retained profits 2022 £m	Non-controlling interests 2022 £m	Total 2022 £m
					Hedging reserves 2022 £m	PPP financial assets 2022 £m	Currency translation reserve 2022 £m	Other <sup>‡</sup> 2022 £m			
At 1 January 2022	345	176	1	72	(5)	4	100	45	631	7	1,376
Profit/(loss) for the year	-	-	-	105	-	-	-	-	183	(1)	287
Currency translation differences	-	-	-	23	-	-	32	-	-	-	55
Actuarial movements on retirement benefit assets/liabilities	-	-	-	1	-	-	-	-	(52)	-	(51)
Fair value revaluations	-	-	-	(124)	-	(3)	-	-	-	-	(127)
- PPP financial assets	-	-	-	29	3	-	-	-	-	-	32
- cash flow hedges	-	-	-	-	-	-	-	-	-	-	-
- investments in mutual funds measured at fair value through OCI	-	-	-	-	-	-	-	(5)	-	-	(5)
Recycling of revaluation reserves to the income statement on disposal <sup>‡</sup>	-	-	-	(3)	-	-	-	-	-	-	(3)
Tax on items recognised in other comprehensive income	-	-	-	25	(2)	-	-	-	21	-	44
Total comprehensive income/(loss) for the year	-	-	-	56	1	(3)	32	(5)	152	(1)	232
Ordinary dividends	-	-	-	-	-	-	-	-	(58)	-	(58)
Joint ventures' and associates' dividends	-	-	-	(148)	-	-	-	-	148	-	-
Non-controlling interests' dividends	-	-	-	-	-	-	-	-	-	(1)	(1)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(151)	-	(151)
Cancellation of ordinary shares	(51)	-	51	-	-	-	-	-	-	-	-
Movements relating to share-based payments <sup>*</sup>	-	-	-	-	-	-	-	1	(16)	-	(15)
<b>At 31 December 2022</b>	<b>294</b>	<b>176</b>	<b>52</b>	<b>(20)</b>	<b>(4)</b>	<b>1</b>	<b>132</b>	<b>41</b>	<b>706</b>	<b>5</b>	<b>1,383</b>

<sup>‡</sup> Other reserves include £22m of special reserve.

<sup>\*</sup> Movements relating to share-based payments include £2m tax credit recognised directly within retained profits.

<sup>‡</sup> Recycling of revaluation reserves to the income statement on disposal has no associated tax effect.



## 32 Movements in equity continued

### 32.2 Company

	Called-up share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves		Retained profits £m	Total £m
				Special reserve £m	Other £m		
At 1 January 2022	345	176	1	22	106	676	1,326
Profit for the year	–	–	–	–	–	178	178
Currency translation differences	–	–	–	–	–	(3)	(3)
Total comprehensive profit for the year	–	–	–	–	–	175	175
Ordinary dividends	–	–	–	–	–	(58)	(58)
Purchase of treasury shares	–	–	–	–	–	(151)	(151)
Cancellation of ordinary shares	(51)	–	51	–	–	–	–
Movements relating to share-based payments <sup>+</sup>	–	–	–	–	8	(24)	(16)
At 31 December 2022	294	176	52	22	114	618	1,276
Profit for the year	–	–	–	–	1	261	262
Currency translation differences	–	–	–	–	–	4	4
Total comprehensive profit for the year	–	–	–	–	1	265	266
Ordinary dividends	–	–	–	–	–	(58)	(58)
Purchase of treasury shares	–	–	–	–	–	(151)	(151)
Cancellation of ordinary shares	(22)	–	22	–	–	–	–
Movements relating to share-based payments <sup>+</sup>	–	–	–	–	12	(15)	(3)
<b>At 31 December 2023</b>	<b>272</b>	<b>176</b>	<b>74</b>	<b>22</b>	<b>127</b>	<b>659</b>	<b>1,330</b>

+ Movements relating to share-based payments include £nil tax credit (2022: £1m) recognised directly within retained profits.

As permitted under Section 408 of the Companies Act 2006, the Company has elected not to present its statement of comprehensive income (including the profit and loss account) for the year. Balfour Beatty plc reported a profit for the financial year ended 31 December 2023 of £262m (2022: £178m).

During the year, £151m of the Company's distributable profits were utilised for the purchase of shares into treasury (2022: £151m) and 43.3m (2022: 102.3m) treasury shares were cancelled. See Note 31.

The majority of the retained profits of Balfour Beatty plc are distributable. By special resolution on 13 May 2004, confirmed by the court on 16 June 2004, the share premium account was reduced by £181m and the £4m capital redemption reserve was cancelled, effective on 25 June 2004, and a special reserve of £185m was created. This reserve becomes distributable to the extent of future increases in share capital and share premium account, of which £nil occurred in 2023 (2022: £nil).

### 32.3 Balfour Beatty Employee Share Ownership Trust

The retained profits in the Group and the retained profits of the Company are stated net of investments in Balfour Beatty plc ordinary shares acquired by the Group's employee discretionary trust, the Balfour Beatty Employee Share Ownership Trust, to satisfy awards under the Performance Share Plan, the Deferred Bonus Plan and the Restricted Share Plan. In 2023, 5.1m (2022: 9.8m) shares were purchased at a cost of £18m (2022: £25m). The market value of the 7.5m (2022: 7.5m) shares held by the trust at 31 December 2023 was £25.0m (2022: £25.3m). The carrying value of these shares was £23.1m (2022: £19.8m).

Following confirmation of the performance criteria at the end of the performance period in the case of the Performance Share Plan, and at the end of the vesting period in the case of the Deferred Bonus Plan and the Restricted Share Plan, the appropriate number of shares will be unconditionally transferred to participants. In 2023, 3.2m shares were transferred to participants in relation to the March 2020 and June 2020 awards under the Performance Share Plan (2022: 1.7m shares were transferred to participants in relation to the March 2019 awards under the Performance Share Plan), 1.0m shares were transferred to participants in relation to awards under the Deferred Bonus Plan (2022: 0.6m shares) and 0.9m shares were transferred to participants in relation to awards under the Restricted Share Plan (2022: 1.2m).

The trustees have waived the rights to dividends on shares held by the trust. Participants in the schemes receive an award of shares to represent the dividends which would have been payable on the shares since the date of grant.

Other reserves in the Group and Company include £12.2m (2022: £8.8m) relating to unvested Performance Share Plan awards, £4.4m (2022: £3.8m) relating to unvested Restricted Share Plan awards and £2.7m (2022: £2.7m) relating to unvested Deferred Bonus Plan awards.

### 33 Notes to the statement of cash flows

#### 33.1 Cash from/(used in) operations

	Notes	Underlying items <sup>1</sup> 2023 £m	Non-underlying items 2023 £m	2023 £m	2022 £m
Profit from operations		228	(17)	211	275
Share of results of joint ventures and associates	19	(53)	–	(53)	(105)
Depreciation of property, plant and equipment	16	28	–	28	27
Depreciation of right-of-use assets	17	57	–	57	54
Depreciation of investment properties	18	2	–	2	2
Amortisation of other intangible assets	15	7	5	12	13
Amortisation of contract fulfilment assets		15	–	15	15
Pension deficit payments, including regular funding	30.2	(28)	–	(28)	(43)
Movements relating to equity-settled share-based payments		15	–	15	9
Gain on disposal of interests in investments	34.3	(24)	–	(24)	–
Profit on disposal of property, plant and equipment		(2)	–	(2)	(4)
Other non-cash items		(3)	–	(3)	(4)
Operating cash flows before movements in working capital		242	(12)	230	239
Decrease/(increase) in operating working capital				63	(54)
Inventories				(11)	(6)
Contract assets				(4)	(78)
Trade and other receivables				(73)	34
Contract liabilities				(44)	(59)
Trade and other payables				177	57
Provisions				18	(2)
<b>Cash from operations</b>				<b>293</b>	<b>185</b>

<sup>1</sup> Before non-underlying items (Notes 2.10 and 10).

#### 33.2 Cash and cash equivalents

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Cash and deposits	890	828	150	95
Term deposits	218	332	218	329
Cash balances within infrastructure concessions	306	19	–	–
Bank overdrafts	(104)	–	(58)	(45)
	<b>1,310</b>	<b>1,179</b>	<b>310</b>	<b>379</b>

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of less than three months.

#### 33.3 Analysis of movements in borrowings

	Infrastructure concessions non-recourse project finance £m	US private placement £m	Bilateral committed facility £m	Bank overdrafts £m	Total £m
At 1 January 2022	(260)	(192)	–	(34)	(486)
Currency translation differences	–	(23)	–	–	(23)
Proceeds of loans	(8)	(130)	–	–	(138)
Repayments of loans	7	–	–	34	41
At 31 December 2022	(261)	(345)	–	–	(606)
Currency translation differences	–	14	–	–	14
Proceeds of loans	(336)	–	(28)	(104)	(468)
Repayments of loans	8	169	28	–	205
Fair value adjustment to loan	19	–	–	–	19
<b>At 31 December 2023</b>	<b>(570)</b>	<b>(162)</b>	<b>–</b>	<b>(104)</b>	<b>(836)</b>

In March 2023, the Group repaid US\$209m of US Private Placement (USPP) notes as they fell due. The repayment was funded from the proceeds of debt issuance arranged in 2022, specifically US\$158m of new USPP notes issued in June 2022 (US\$35m 6.31% notes maturing in June 2027, US\$80m 6.39% notes maturing in June 2029 and US\$43m 6.45% notes maturing in June 2032), and a US\$36m drawdown in March 2023 under the £30m bilateral committed facility. In September 2023, drawings under the £30m bilateral RCF bank facility were repaid and the facility was undrawn at 31 December 2023. This facility is on similar terms to the Group's core facility and has an initial maturity of December 2024, but the Group holds an extension option to extend the expiry to December 2027. At 31 December 2023 the Group had not triggered the bilateral committed facility's extension option.

### 33 Notes to the statement of cash flows continued

#### 33.3 Analysis of movements in borrowings continued

In June 2023 the Group completed the refinancing of its core £375m revolving credit facility, which was set to expire in October 2024, replacing it with a new £475m facility that will expire in June 2027 (the RCF). The RCF has an extension option for a further year to June 2028, with the agreement of the lending banks, and its terms and conditions are materially the same as the prior facility. The RCF is a Sustainability Linked Loan, under the terms of which the Group is incentivised to deliver annual measurable performance improvement in three key areas: Carbon Emissions, Social Value generation and an independent Environment, Social and Governance (ESG) rating score – these areas of performance and the associated metrics are to be reviewed and updated in 2024. The RCF remained undrawn at 31 December 2023.

At 31 December 2023, £303m was included within non-recourse borrowings relating to the construction of the West Slope student accommodation project, of which £171m relates to external funding obtained from a third party bank and £132m relates to a loan provided by the University of Sussex. The funding from the university represents a loan arrangement which was entered into separately with the university at the same time as the concession arrangement.

### 34 Acquisitions and disposals

#### 34.1 Current and prior year acquisitions

There were no material acquisitions in 2023.

Deferred consideration paid during 2023 in respect of acquisitions completed in earlier years was £nil (2022: £3m).

#### 34.2 Current year disposals

During the year, the Group disposed of two Infrastructure Investments assets as detailed below.

The gain recognised from the disposal of assets that were held within joint venture entities of the Group is recognised within the Group's share of results of joint ventures and associates.

Notes	Disposal date	Entity/asset	Structure of sale	Percentage disposed %	Cash consideration £m	Net assets disposed £m	Amount recycled from reserves £m	Underlying gain £m
34.2.1	28 September 2023	Moretti Apartments <sup>^</sup>	Asset sale	n/a	5	(3)	–	2
34.2.2	8 November 2023	Gloucester Waste	Equity interest sale	49.5	56	(35)	3	24
					<b>61</b>	<b>(38)</b>	<b>3</b>	<b>26</b>

<sup>^</sup> Disposal of asset within a joint venture entity.

34.2.1 On 28 September 2023, the Group disposed of its Moretti Apartments multifamily property asset located in Homewood, Alabama, and received total cash consideration of £5m. The asset disposal resulted in an underlying gain of £2m being recognised in the Group's share of joint ventures and associates.

34.2.2 On 8 November 2023, the Group disposed of its entire 49.5% interest in UBB Waste (Gloucestershire) Holdings Limited (Gloucester Waste) for a cash consideration of £56m. The disposal included the Group's share of joint venture net assets of £31m and £4m of accrued interest receivable and resulted in a net gain of £24m being recognised in underlying operating profit, including a loss of £6m in respect of PPP financial asset reserves and a gain of £9m in respect of hedging reserves recycled to the income statement on disposal.

#### 34.3 Prior year disposals

During 2022, the Group disposed of several Infrastructure Investments assets as detailed below.

The gain recognised from the disposal of assets that were held within joint venture entities of the Group was recognised within the Group's share of results of joint ventures and associates.

Notes	Disposal date	Entity/asset	Structure of sale	Percentage disposed %	Cash consideration £m	Net assets disposed £m	Amount recycled from reserves £m	Underlying gain £m
34.3.1	30 June 2022	Regard at Med Center (formerly City Lake) <sup>^</sup>	Asset sale	n/a	12	(5)	1	8
34.3.2	11 August 2022	Aspire at Discovery Park <sup>^</sup>	Asset sale	n/a	50	(12)	2	40
34.3.3	23 August 2022	Preserve at Southwind <sup>^</sup>	Asset sale	n/a	4	(1)	–	3
34.3.4	23 August 2022	Preserve at Bartlett <sup>^</sup>	Asset sale	n/a	13	(4)	–	9
34.3.5	2 November 2022	Waterchase Apartments <sup>^</sup>	Asset sale	n/a	14	(4)	–	10
					<b>93</b>	<b>(26)</b>	<b>3</b>	<b>70</b>

<sup>^</sup> Disposal of asset within a joint venture entity.

34.3.1 On 30 June 2022, the Group disposed of its Regard at Med Center multifamily property asset located in Houston, Texas, and received total cash consideration of £12m. The asset disposal resulted in an underlying gain of £8m being recognised in the Group's share of joint ventures and associates, including a gain of £1m in respect of foreign currency translation reserves recycled to the income statement on disposal.

34.3.2 On 11 August 2022, the Group disposed of its Aspire at Discovery Park on-campus accommodation at Purdue University in West Lafayette, Indiana, and received total cash consideration of £50m. The asset disposal resulted in an underlying gain of £40m being recognised in the Group's share of joint ventures and associates, including a gain of £2m in respect of foreign currency translation reserves recycled to the income statement on disposal.

34.3.3 On 23 August 2022, the Group disposed of its Preserve at Southwind multifamily property asset located in Memphis, Tennessee, and received total cash consideration of £4m. The asset disposal resulted in an underlying gain of £3m being recognised in the Group's share of joint ventures and associates.



### 34 Acquisitions and disposals continued

#### 34.3 Prior year disposals continued

34.3.4 On 23 August 2022, the Group disposed of its Preserve at Bartlett multifamily property asset located in Bartlett, Tennessee, and received total cash consideration of £13m. The asset disposal resulted in an underlying gain of £9m being recognised in the Group's share of joint ventures and associates.

34.3.5 On 2 November 2022, the Group disposed of its Waterchase Apartments multifamily property asset located in Largo, Florida, and received total cash consideration of £14m. The asset disposal resulted in an underlying gain of £10m being recognised in the Group's share of joint ventures and associates.

In addition to the disposals above, the Group received a further £1m of deferred consideration in relation to the disposal of its Middle Eastern joint ventures in 2017. This deferred consideration was included in the Group's assessment of the gain on disposal recognised in 2017.

### 35 Share-based payments

The Company operates three equity-settled share-based payment arrangements, namely the Performance Share Plan (PSP), the Deferred Bonus Plan (DBP) and the Restricted Share Plan (RSP). The Group recognised total expenses relating to equity-settled share-based payment transactions of £15m (2022: £9m). Refer to the Remuneration report for details of the PSP and DBP schemes.

The Company also operates three cash-settled share-based payment arrangements, namely the Shadow PSP (SPSP), the Shadow RSP (SRSP) and the Shadow Deferred Bonus Plan (SDBP). These share-based payment arrangements mirror the conditions of the equity-settled PSP, RSP and DBP plans, the only difference being they are settled in cash. The Group recognised total expenses relating to cash-settled share-based payment transactions of £9m (2022: £11m).

#### Movements in share plans

##### Equity-settled share-based payment awards

	PSP conditional awards	DBP conditional awards	RSP conditional awards
<b>2023 number of awards</b>			
Outstanding at 1 January	9,616,845	2,301,915	3,600,926
Granted during the year	2,625,626	752,862	839,532
Awards in lieu of dividends	–	65,684	79,471
Forfeited during the year	(776,896)	(108,696)	(279,134)
Exercised during the year	(3,240,658)	(958,042)	(861,192)
<b>Outstanding at 31 December</b>	<b>8,224,917</b>	<b>2,053,723</b>	<b>3,379,603</b>
<b>Exercisable at 31 December</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Weighted average remaining contractual life (years)</b>	<b>1.2</b>	<b>1.4</b>	<b>1.4</b>
<b>Weighted average share price at the date of exercise for awards exercised in the year</b>	<b>370.4</b>	<b>371.2</b>	<b>340.5</b>
	PSP conditional awards	DBP conditional awards	RSP conditional awards
<b>2022 number of awards</b>			
Outstanding at 1 January	9,333,341	1,979,385	3,747,665
Granted during the year	3,624,249	947,192	1,305,184
Awards in lieu of dividends	–	77,559	176,669
Forfeited during the year	(1,612,041)	(82,787)	(443,791)
Exercised during the year	(1,728,704)	(619,434)	(1,184,801)
Outstanding at 31 December	9,616,845	2,301,915	3,600,926
Exercisable at 31 December	–	–	–
Weighted average remaining contractual life (years)	1.3	1.3	1.6
Weighted average share price at the date of exercise for awards exercised in the year	262.2	256.6	242.2

The principal assumptions, including expected volatility determined from the historical weekly share price movements over the three-year period immediately preceding the award date, used by the consultants in the stochastic model for the 33.3% of the PSP awards granted in 2023 subject to market conditions, were:

Award date	Name of award	Number of awards	Closing share price on award date Pence	Expected volatility of shares %	Expected term of awards Years	Risk-free interest rate %	Calculated fair value of an award Pence
3 April 2023	PSP award	2,625,626	371.2	27.03%	3.0	3.40	267.0

For the 66.7% of the PSP awards granted in 2023 subject to non-market conditions and for the DBP and RSP awards granted in 2023, the fair value of the awards is the closing share price on the date of grant.

### 35 Share-based payments continued

#### Movements in share plans continued

##### Cash-settled share-based payment awards

	SPSP conditional awards	SDBP conditional awards	SRSP conditional awards
<b>2023 number of awards</b>			
Outstanding at 1 January	8,383,533	1,598,936	1,346,825
Granted during the year	2,278,123	308,417	435,869
Awards in lieu of dividends	–	38,015	31,159
Forfeited during the year	(875,764)	(94,174)	(160,708)
Exercised during the year	(3,296,904)	(600,954)	(417,243)
<b>Outstanding at 31 December</b>	<b>6,488,988</b>	<b>1,250,240</b>	<b>1,235,902</b>
<b>Exercisable at 31 December</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Weighted average remaining contractual life (years)</b>	<b>1.2</b>	<b>1.3</b>	<b>1.7</b>
<b>Weighted average share price at the date of exercise for awards exercised in the year</b>	<b>341.0</b>	<b>341.2</b>	<b>320.9</b>

As at 31 December 2023, the Group's liability in respect of outstanding cash-settled share-based payment awards amounted to £21m (2022: £21m). This liability has been recorded within accruals.

	SPSP conditional awards	SDBP conditional awards	SRSP conditional awards
<b>2022 number of awards</b>			
Outstanding at 1 January	8,538,863	1,255,815	1,480,557
Granted during the year	2,750,733	605,746	499,350
Awards in lieu of dividends	–	53,384	35,299
Forfeited during the year	(1,314,076)	–	(216,919)
Exercised during the year	(1,591,987)	(316,009)	(451,462)
<b>Outstanding at 31 December</b>	<b>8,383,533</b>	<b>1,598,936</b>	<b>1,346,825</b>
<b>Exercisable at 31 December</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Weighted average remaining contractual life (years)</b>	<b>1.1</b>	<b>1.2</b>	<b>1.6</b>
<b>Weighted average share price at the date of exercise for awards exercised in the year</b>	<b>263.0</b>	<b>259.5</b>	<b>260.6</b>

### 36 Commitments

Capital expenditure authorised and contracted for which has not been provided for in the financial statements amounted to £12m (2022: £5m) in the Group and £nil (2022: £nil) in the Company.

The Group has committed to provide its share of further equity funding and subordinated debt in Infrastructure Investments projects which have reached financial close. Refer to Note 41(f).

### 37 Contingent liabilities

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of their share of certain contractual obligations of joint ventures and associates and certain retirement benefit liabilities of the Balfour Beatty Pension Fund and the Railways Pension Scheme. Guarantees are treated as contingent liabilities until such time as it becomes probable payment will be required under the terms of the guarantee.

Provision has been made for the Directors' best estimate of known legal claims, investigations and legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed, or that the Group cannot make a sufficiently reliable estimate of the potential obligation. However, in certain cases where assessments are ongoing and the Group cannot yet conclude whether it is probable the claim is valid, a possible obligation may exist at 31 December 2023. In respect of these cases, it is not practicable to estimate the financial effect based on the current status of the assessments.



### 38 Related party transactions

#### Joint ventures and associates

The Group has contracted with, provided services to, and received management fees from, certain joint ventures and associates amounting to £445m (2022: £447m). These transactions occurred in the normal course of business at market rates and terms. In addition, the Group procured equipment and labour on behalf of certain joint ventures and associates which were recharged at cost with no mark-up. The amounts due from or to joint ventures and associates at the reporting date are disclosed in Notes 24 and 25 respectively.

#### Transactions with non-Group members

The Group also entered into transactions and had amounts outstanding with related parties which are not members of the Group as set out below. This company was a related party as it was controlled, jointly controlled or under significant influence by a Director of Balfour Beatty plc.

	2023 £m	2022 £m
<b>Site Assist Software Limited</b>		
Purchase of services	1	1

All transactions with this related party were conducted on normal commercial terms, equivalent to those conducted with external parties. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of amounts owed by this related party.

#### Compensation of key management personnel of the Company

	2023 £m	2022 £m
Short-term benefits	3.103	3.273
Share-based payments	3.866	1.634
	<b>6.969</b>	4.907

Key management personnel comprise the executive Directors who are directly responsible for the Group's activities and the non-executive Directors. The compensation included above is in respect of the period of the year during which the individuals were Directors. Further details of Directors' emoluments, post-employment benefits and interests are set out in the Remuneration report on pages 152 to 168.

During 2023, a member of the Group's staff was seconded on a full-time basis to The 5% Club, a charity which is a dynamic movement of employer-members working to create a shared prosperity across the UK by driving 'earn and learn' skills training. The expense for the salary cost was borne by the Group and no consideration was received in return.

### 39 Events after the reporting date

In the period from 1 January 2024 to 11 March 2024 (the latest practicable date prior to the date of this annual report and accounts), the Company purchased 8.2m ordinary shares, which are held in treasury with no voting rights, for a total consideration of £28m (including stamp duty and fees).

There were no other material post balance sheet events arising after the reporting date.



## 40 Financial instruments

### Capital risk management

The Group manages its capital to ensure its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The components of capital are as follows: equity attributable to equity holders of the Company comprising issued ordinary share capital, reserves and retained earnings as disclosed in Notes 31 and 32; US private placement as disclosed in Note 27; and cash and cash equivalents and borrowings as disclosed in Note 27.

The Group maintains or adjusts its capital structure through the payment of dividends to equity holders, issue of new shares and buyback of existing shares, and drawdown of new borrowings and repayment of existing borrowings. The policy of the Group is to ensure an appropriate balance between cash, borrowings (other than the non-recourse borrowings of companies engaged in Infrastructure Investments projects), working capital and the value in the Infrastructure Investments investment portfolio.

The overall capital risk management strategy of the Group remains unchanged from 2022.

In 2023 the Company commenced the third phase of its share buyback programme, which completed on 15 December 2023. The Company purchased 43.3m (2022: 52.0m) shares for a total consideration of £150m (2022: £150m) and held these shares in treasury with no voting rights. The purchase of these shares, together with associated fees and stamp duty amounting to £1m (2022: £1m), utilised £151m (2022: £151m) of the Company's distributable profits.

On 20 December 2023, the Company cancelled the 43.3m treasury shares purchased through the 2023 phase of its share buyback programme (2022: 102.3m). This cancellation resulted in a decrease in called-up share capital in issue of £22m (2022: £51m) and a corresponding increase in the capital redemption reserve.

### Categories of financial instruments

	Loans and receivables at amortised cost, cash and deposits	Financial liabilities at amortised cost	Financial assets at fair value through OCI	Financial assets at amortised cost	Financial assets at fair value through P&L	Derivatives	Loans and receivables at amortised cost, cash and deposits	Financial liabilities at amortised cost	Financial assets at fair value through OCI	Financial assets at amortised cost	Financial assets at fair value through P&L	Derivatives
	2023	2023	2023	2023	2023	2023	2022	2022	2022	2022	2022	2022
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Financial assets</b>												
Fixed rate bonds and treasury stock	-	-	-	-	-	-	-	-	-	2	-	-
Mutual funds	-	-	19	-	-	-	-	-	20	-	-	-
Other investment assets	-	-	-	2	7	-	-	-	-	7	11	-
PPP financial assets	-	-	24	-	-	-	-	-	26	-	-	-
Cash and deposits	1,414	-	-	-	-	-	1,179	-	-	-	-	-
Trade and other receivables	1,145	-	-	-	-	-	1,111	-	-	-	-	-
Derivatives	-	-	-	-	-	1	-	-	-	-	-	1
<b>Total</b>	<b>2,559</b>	<b>-</b>	<b>43</b>	<b>2</b>	<b>7</b>	<b>1</b>	<b>2,290</b>	<b>-</b>	<b>46</b>	<b>9</b>	<b>11</b>	<b>1</b>
<b>Financial liabilities</b>												
Trade and other payables	-	(1,708)	-	-	-	-	-	(1,638)	-	-	-	-
Unsecured borrowings	-	(266)	-	-	-	-	-	(345)	-	-	-	-
Infrastructure concessions non-recourse term loans	-	(570)	-	-	-	-	-	(261)	-	-	-	-
Derivatives	-	-	-	-	-	(2)	-	-	-	-	-	(1)
<b>Total</b>	<b>-</b>	<b>(2,544)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(2,244)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Net</b>	<b>2,559</b>	<b>(2,544)</b>	<b>43</b>	<b>2</b>	<b>7</b>	<b>(1)</b>	<b>2,290</b>	<b>(2,244)</b>	<b>46</b>	<b>9</b>	<b>11</b>	<b>-</b>
Current year comprehensive income/(loss) excluding share of joint ventures and associates	63	(33)	4	-	(1)	-	35	(30)	(6)	-	6	3

Financial statements

40 Financial instruments continued

Derivatives

	Financial assets/(liabilities)			Financial assets/(liabilities)		
	Current 2023 £m	Non-current 2023 £m	Total 2023 £m	Current 2022 £m	Non-current 2022 £m	Total 2022 £m
<b>Fuel hedges</b>						
Held for trading at fair value through income statement	1	–	1	1	–	1
<b>Forward exchange contracts</b>						
Held for trading at fair value through income statement	–	(1)	(1)			
<b>Interest rate swaps</b>						
Designated as cash flow hedges	–	(1)	(1)	–	(1)	(1)
	1	(2)	(1)	1	(1)	–

Non-derivative financial liabilities gross maturity

The following table details the remaining contractual maturity for the Group's non-derivative financial liabilities. The table reflects the undiscounted contractual maturities of the financial liabilities including interest that will accrue on those liabilities except where the Group is entitled to and intends to repay the liability before its maturity. The discount column represents the possible future cash flows included in the maturity analysis, such as future interest, that are not included in the carrying value of the financial liability.

Maturity profile of the Group's non-derivative financial liabilities at 31 December

	Non-recourse project finance 2023 £m	Other borrowings 2023 £m	Other financial liabilities 2023 £m	Total non-derivative financial liabilities 2023 £m	Discount 2023 £m	Carrying value 2023 £m
Due on demand or within one year	(15)	(104)	(1,593)	(1,712)	6	(1,706)
Due within one to two years	(18)	(39)	(82)	(139)	8	(131)
Due within two to five years	(221)	(27)	(28)	(276)	40	(236)
Due after more than five years	(934)	(96)	(5)	(1,035)	564	(471)
	(1,188)	(266)	(1,708)	(3,162)	618	(2,544)
Discount	618	–	–	618		
<b>Carrying value</b>	<b>(570)</b>	<b>(266)</b>	<b>(1,708)</b>	<b>(2,544)</b>		

	Non-recourse project finance 2022 £m	Other borrowings 2022 £m	Other financial liabilities 2022 £m	Total non-derivative financial liabilities 2022 £m	Discount 2022 £m	Carrying value 2022 £m
Due on demand or within one year	(32)	(173)	(1,503)	(1,708)	2	(1,706)
Due within one to two years	(8)	–	(68)	(76)	–	(76)
Due within two to five years	(26)	(70)	(62)	(158)	1	(157)
Due after more than five years	(385)	(102)	(5)	(492)	187	(305)
	(451)	(345)	(1,638)	(2,434)	190	(2,244)
Discount	190	–	–	190		
<b>Carrying value</b>	<b>(261)</b>	<b>(345)</b>	<b>(1,638)</b>	<b>(2,244)</b>		

Derivative financial liabilities gross maturity

The following table details the Group's expected maturity for its derivative financial liabilities. The table reflects the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net basis (interest rate swaps) and undiscounted gross inflows/(outflows) for those derivatives that are settled on a gross basis (foreign exchange contracts). When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates, using the yield curves at the reporting date.

Maturity profile of the Group's derivatives at 31 December

	Payable 2023 £m	Receivable 2023 £m	Net payable 2023 £m	Payable 2022 £m	Receivable 2022 £m	Net payable 2022 £m
Due on demand or within one year	(14)	15	1	(11)	11	–
Due within one to two years	(31)	30	(1)	(5)	5	–
Due within two to five years	(7)	6	(1)	–	–	–
<b>Total</b>	<b>(52)</b>	<b>51</b>	<b>(1)</b>	<b>(16)</b>	<b>16</b>	<b>–</b>



## 40 Financial instruments continued

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk; credit risk; and liquidity risk. The Group's financial risk management strategy seeks to minimise the potential adverse effect of these risks on the Group's financial performance.

Financial risk management is carried out centrally by Group Treasury under policies approved by the Board. Group Treasury liaises with the Group's business units to identify, evaluate and hedge financial risks. The Board provides written principles for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is monitored through the Group's internal audit and risk management procedures. The Group uses derivative financial instruments to hedge certain risk exposures. The Group does not trade in financial instruments, including derivative financial instruments, for speculative purposes.

#### (a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- » forward foreign exchange contracts to hedge the exchange rate risk arising on trading activities transacted in a currency that is not the functional currency of the business unit; and
- » interest rate swaps to mitigate the cash flow variability in non-recourse project finance loans arising from variable interest rates on borrowings.

There has been no material change to the Group's exposure to market risks and there has been no change in how the Group manages those risks since 2022.

##### (i) Foreign currency risk management

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, primarily to US dollars, euros and Hong Kong dollars. Foreign exchange risk arises from future trading transactions, assets and liabilities and net investments in foreign operations.

Group policy requires business units to manage their transactional foreign exchange risk against their functional currency. Whenever a current or future foreign currency exposure is identified with sufficient reliability, Group Treasury enters into forward contracts on behalf of business units to cover 100% of foreign exchange risk above materiality levels determined by the Chief Financial Officer.

As at 31 December 2023, the notional principal amounts of foreign exchange contracts in respect of foreign currency transactions where hedge accounting is not applied was £51m (2022: £16m) receivable and £52m (2022: £16m) payable with related cash flows expected to occur within three years (2022: three years). The foreign exchange gains or losses resulting from fair valuing these unhedged foreign exchange contracts will affect the income statement throughout the same periods.

The Group has not designated any forward exchange contracts as cash flow hedges in 2022 and 2023.

The Group's investments in foreign operations are exposed to foreign currency translation risks. The Group does not enter into forward foreign exchange or other derivative contracts to hedge foreign currency denominated net assets.

In June 2022 the Group raised US\$158m of debt in the form of new US private placement (USPP) notes on terms and conditions materially the same as the existing USPP notes raised in 2013, of which US\$50m remained outstanding at 31 December 2023. The USPP notes are designated as a net investment hedge against changes in the value of the Group's US net assets due to exchange movements. The Group reassessed the US\$208m hedge at 31 December 2023 and concluded that the hedge continued to be effective. Exchange movements in the year led to a £14m reduction in the carrying amount of the liability on the Group's balance sheet (2022: £23m increase). A 5% increase/decrease in the US dollar to sterling exchange rate would lead to a £8m decrease (2022: £16m)/£9m increase (2022: £18m) in the carrying amount of the liability on the Group's balance sheet, with the movement recognised in other comprehensive income.

The hedging policy is reviewed periodically. At the reporting date there had been no change to the hedging policy since 2022.

##### (ii) Interest rate risk management

Interest rate risk arises in the Group's non-recourse project companies which borrow funds at both floating and fixed interest rates and hold financial assets measured at fair value through OCI. Floating rate borrowings expose the Group to cash flow interest rate risk. The Group's policy to manage this risk is to swap floating rate interest to fixed rate, using interest rate swap contracts.

In an interest rate swap, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The net effect of a movement in interest rates on income would be immaterial. The fair value of interest rate swaps is determined by discounting the future cash flows using the yield curve at the reporting date.

During 2023 and 2022, the Group's non-recourse project subsidiaries' borrowings at variable rates of interest were denominated in sterling. The notional principal amounts of the subsidiaries' interest rate swaps outstanding at 31 December 2023 totalled £17m (2022: £17m) with maturities that match the maturity of the underlying borrowings of 8 years. At 31 December 2023, the fixed interest rate was 5.1% (2022: 5.1%) and the principal floating rates are SONIA plus a fixed margin. A 50 basis point increase/decrease in the interest rate on floating rate borrowings for interest rate swaps would lead to a £nil increase (2022: £nil)/£nil decrease (2022: £nil) in amounts taken directly to other comprehensive income by the Group in relation to the Group's exposure to interest rates on the PPP financial assets and cash flow hedges of its Infrastructure Investments subsidiaries.

Interest rate risk also arises on the Group's cash and cash equivalents, term deposits and other borrowings. Other than the non-recourse project subsidiaries' borrowings at variable rates of interest, all the debt of the Group is held at fixed interest rates. A 50 basis point increase/decrease in the interest rate of each currency in which these financial instruments are held would lead to a £5m decrease (2022: £6m)/£5m increase (2022: £6m) in the Group's net finance cost.



### 40 Financial instruments continued

#### Financial risk factors continued

##### (a) Market risk continued

###### (iii) Price risk management

The Group's principal price risk exposure arises in its Infrastructure Investments concessions. At the commencement of the concession, an element of the unitary payment by the customer is indexed to offset the effect of inflation on the concession's costs. The Group is exposed to price risk to the extent that inflation differs from the index used.

##### (b) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss. Credit risk arises from cash and deposits, derivative financial instruments, loans provided to joint ventures and associates and credit exposures to customers, including outstanding receivables and committed transactions. The Group has a policy of assessing the creditworthiness of potential customers before entering into transactions set by the Board for the Group.

For cash and deposits and derivative financial instruments, the Group has a policy of only using counterparties that are independently rated with a minimum long-term credit rating of BBB- and at 31 December 2023 this criterion was met (2022: BBB+). The credit rating of a financial institution will determine the amount and duration for which funds may be deposited under individual risk limits set by the Board for the Group and subsidiary companies. Management monitors the utilisation of these credit limits regularly.

For trade and other receivables, credit evaluation is performed on the financial condition of accounts receivable using independent ratings where available or by assessment of the customer's credit quality based on its financial position, past experience and other factors. The Group's most significant customers are public or regulated industry entities which generally have high credit ratings or are of a high credit quality due to the nature of the customer. As such, the Group does not expect material credit losses to occur on balances owed to the Group by its public or regulated customers. This is in line with the Group's experience in the past of recovering balances owed by these customers.

The Group is exposed to credit risk on loans provided to joint ventures and associates and accrued interest on those loans, as the repayment of these amounts is contingent on the performance of the underlying concession or operation. In the Infrastructure Investments segment the concessions are typically financed by a combination of non-recourse external borrowings and subordinated loans provided by the joint venture partners. The Group assesses any expected credit losses on its loans provided to joint ventures and associates by comparing the carrying value of the relevant investment in joint venture or associate balance (which includes the loans provided and any accrued interest) to future cash flows expected to be received from the joint venture or associate, discounted where appropriate.

The maximum exposure to credit risk in respect of the above at the reporting date is the carrying value of financial assets recorded in the financial statements, net of any allowance for losses.

There has been no material change to the Group's exposure to credit risks and there has been no change in how the Group manages those risks since 2022.

##### (c) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash balances and banking facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Details of undrawn committed borrowing facilities are set out in Note 27.1. The maturity profile of the Group's financial liabilities is set out on page 238.

There has been no material change to the Group's exposure to liquidity risks and there has been no change in how the Group manages those risks since 2022.

##### Fair value estimation

The Group holds certain financial instruments on the balance sheet at their fair values. The following hierarchy classifies each class of financial asset or liability in accordance with the valuation technique applied in determining its fair value.

There have been no transfers between these categories during 2023 or 2022.

Level 1 – The fair value is calculated based on quoted prices traded in active markets for identical assets or liabilities.

The Group holds investments in mutual funds measured at fair value through OCI which are traded in active markets and valued at the closing market price at the reporting date.

Level 2 – The fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows utilising yield curves at the reporting date and taking into account own credit risk. Own credit risk for Infrastructure Investments' swaps is not material and is calculated using the following credit valuation adjustment (CVA) calculation: loss given default multiplied by exposure multiplied by probability of default.

The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date and yield curves derived from quoted interest rates matching the maturities of the foreign exchange contracts. Own credit risk for the other derivative liabilities is not material and is calculated by applying a relevant credit default swap (CDS) rate obtained from a third party.

Level 3 – The fair value is based on unobservable inputs.

The fair value of the Group's PPP financial assets is determined in the construction phase by applying an attributable profit margin by reference to the construction margin on non-PPP projects reflecting the construction risks retained by the construction contractor, and fair value of construction services performed. In the operational phase it is determined by discounting the future cash flows allocated to the financial asset at a discount rate which is based on long-term gilt rates adjusted for the risk levels associated with the assets, with market-related movements in fair value recognised in other comprehensive income and other movements recognised in the income statement. Amounts originally recognised in other comprehensive income are transferred to the income statement upon disposal of the asset.

A change in the discount rate would have a significant effect on the value of the asset and a 50 basis point increase/decrease, which represents management's assessment of a reasonably possible change in the risk-adjusted discount rate, would lead to a £1m decrease (2022: £1m)/£1m increase (2022: £1m) in the fair value of the assets taken through equity. Refer to Note 21 for a reconciliation of the movement from the opening balance to the closing balance.

## 40 Financial instruments continued

### Financial risk factors continued

#### (c) Liquidity risk continued

Fair value estimation continued

For PPP financial assets held in joint ventures and associates, a change in the discount rate by a 50 basis point increase/decrease, which represents management's assessment of a reasonably possible change in the risk-adjusted discount rate, would lead to a £25m decrease (2022: £28m)/£26m increase (2022: £29m) in the fair value of the assets taken through equity within the share of joint ventures' and associates' reserves.

	2023				2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial instruments at fair value</b>								
Investments in mutual fund financial assets	19	–	–	19	20	–	–	20
PPP financial assets	–	–	24	24	–	–	26	26
Other investment assets	–	–	7	7	–	–	11	11
Financial assets – fuel hedges	–	1	–	1	–	1	–	1
<b>Total assets measured at fair value</b>	<b>19</b>	<b>1</b>	<b>31</b>	<b>51</b>	<b>20</b>	<b>1</b>	<b>37</b>	<b>58</b>
Financial liabilities – infrastructure concessions interest rate swaps	–	(1)	–	(1)	–	(1)	–	(1)
Financial liabilities – forward exchange contracts	–	(1)	–	(1)	–	–	–	–
<b>Total liabilities measured at fair value</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>(1)</b>	<b>–</b>	<b>(1)</b>

## 41 Principal subsidiaries, joint ventures and associates

### (a) Principal subsidiaries

	Country of incorporation or registration
<b>Construction and support services</b>	
Balfour Beatty Group Ltd	
Balfour Beatty Construction Group Inc	US
Balfour Beatty Infrastructure Inc	US
<b>Infrastructure Investments</b>	
Balfour Beatty Communities LLC	US
Balfour Beatty Infrastructure Investments Ltd*	
Balfour Beatty Investments Inc	US
Balfour Beatty Campus Solutions LLC	US
Balfour Beatty Developments Inc	US
<b>Other</b>	
Balfour Beatty Holdings Inc.	US

### (b) Principal joint ventures and associates

	Country of incorporation or registration	Ownership interest %
<b>Construction and support services</b>		
Gammon China Ltd	Hong Kong	50.0
<b>Infrastructure Investments (Note 41)</b>		
Connect Plus (M25) Ltd		15.0

### (c) Principal joint operations

The Group carries out a number of its larger contracts in joint arrangements with other contractors so as to share resources and risk. The principal joint projects in progress during the year are shown below.

	Country of incorporation or registration	Ownership interest %
M25 Maintenance		52.5
HS2 – Area North		50.0
Central Rail Systems Alliance		80.0
Old Oak Common		42.0
Gilbane/Balfour Beatty Eccles 1951	US	50.0
Skanska/Balfour Beatty	US	50.0
Driscoll/Balfour Beatty	US	35.0
Greenline Extension	US	25.0
LAX Integrated Express Solutions	US	30.0
LBJ East	US	45.0

#### Notes

(i) Subsidiaries, joint ventures and associates whose results did not, in the opinion of the Directors, materially affect the results or net assets of the Group are not shown.

(iii) Unless otherwise stated, 100% of the equity capital is owned and companies are registered in England and Wales and the principal operations of each company are conducted in the country of incorporation.

\* Indicates held directly by Balfour Beatty plc.

A full list of the Group's related undertakings is included in Note 43.

41 Principal subsidiaries, joint ventures and associates continued

(d) Balfour Beatty Investments UK

Roads

Balfour Beatty is a promoter, developer and investor in 12 road and street lighting projects to construct new roads, to upgrade and maintain existing roads and to replace and maintain street lighting. The principal contract is the project agreement with the governmental highway authority. All assets transfer to the customer at the end of the concession.

Concession company (i)	Project	Total debt and equity funding £m	Shareholding	Method of accounting	Financial close	Duration years	Construction completion
Connect M1-A1 Ltd (ii)	30km road	290	20%	JV	March 1996	30	1999
Connect A50 Ltd (ii)	57km road	42	25%	JV	May 1996	30	1998
Connect A30/A35 Ltd (ii)	102km road	127	20%	JV	July 1996	30	2000
Connect M77/GSO plc (ii)	25km road	167	85%	JV	May 2003	32	2005
Connect Roads Sunderland Ltd (ii)	Streetlighting	27	20%	JV	August 2003	25	2008
Connect Roads South Tyneside Ltd (ii)	Streetlighting	28	20%	JV	December 2005	25	2010
Connect Roads Derby Ltd	Streetlighting	36	100%	Subsidiary	April 2007	25	2012
Connect Plus (M25) Ltd (ii)	J16 – J23, J27 – J30 and A1(M) Hatfield Tunnel	1,309	15%	JV	May 2009	30	2012
Connect CNDR Ltd (ii)	Carlisle Northern Development Route	176	25%	JV	July 2009	30	2012
Connect Roads Coventry Ltd (ii)	Streetlighting	56	20%	JV	August 2010	25	2015
Connect Roads Cambridgeshire Ltd (ii)	Streetlighting	51	20%	JV	April 2011	25	2016
Connect Roads Northamptonshire Ltd (ii)	Streetlighting	64	20%	JV	August 2011	25	2016

Notes

(i) Registered in England and Wales and the principal operations of each company are in England and Wales, except Connect M77/GSO plc which is registered, and conducts their principal operations, in Scotland.

(ii) Due to the shareholders' agreement between Balfour Beatty and the other shareholder requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of this company, the Directors have accounted for its interest in this company as a joint venture.

Healthcare

Balfour Beatty is a promoter, developer and investor in two healthcare projects to build hospital accommodation and to provide certain non-medical facilities management services over the concession period. The principal contract for Birmingham is the project agreement between the concession company and the NHS Trust and for the Irish primary care centres, the project agreement is with the Irish Government. All assets transfer to the customer at the end of the concession.

Concession company (i)(ii)	Project	Total debt and equity funding £m	Shareholding	Method of accounting	Financial close	Duration years	Construction completion
Consort Healthcare (Birmingham) Ltd	Teaching hospital and mental health hospital	553	40%	JV	June 2006	40	2011
Healthcare Centres PPP Ltd	Primary health care centres	158	40%	JV	May 2016	26	2019

Notes

(i) Registered in England and Wales and the principal operations of each company are in England and Wales, except Healthcare Centres PPP Ltd which is registered, and conducts its principal operations, in Ireland.

(ii) Due to the shareholders' agreement between Balfour Beatty and the other shareholder requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of this company, the Directors have accounted for its interest in this company as a joint venture.

Student accommodation

Balfour Beatty is a promoter, developer and investor in five student accommodation projects. On Holyrood, Aberystwyth and two Sussex projects, the principal agreement is between the concession company and the university and the assets transfer to the customer at the end of the concession. On Glasgow Residences the building is owned outright by Balfour Beatty and rooms are let to individual students.

Concession company (i)	Project	Total debt and equity funding £m	Shareholding	Method of accounting	Financial close	Duration years	Construction completion
Holyrood Student Accommodation SPV Ltd (ii)	Edinburgh	82	20%	JV	July 2013	50	2016
Aberystwyth Student Accommodation Ltd	Aberystwyth	51	100%	Subsidiary	July 2013	35	2015
Glasgow Residences (Kennedy Street) LLP	Glasgow	40	100%	Subsidiary	April 2016	n/a	2017
East Slope Residences Student Accommodation LLP	Sussex	218	80%	Subsidiary	March 2017	50	2020
West Slope Residences LLP	Sussex	343	81%	Subsidiary	December 2023	50	2028

Notes

(i) Registered in England and Wales and the principal operations of each company are in England and Wales, except Holyrood Student Accommodation SPV Ltd and Glasgow Residences (Kennedy Street) LLP which are registered, and conduct their principal operations, in Scotland.

(ii) Due to the shareholders' agreement between Balfour Beatty and the other shareholder requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of this company, the Directors have accounted for its interest in this company as a joint venture.



## 41 Principal subsidiaries, joint ventures and associates continued

### (d) Balfour Beatty Investments UK continued

#### Other concessions

Pevensey Coastal Defence Ltd (PCDL) has a 25-year contract with the Environment Agency to maintain a shingle bank sea defence in East Sussex. Thanet involves the operation of transmission assets for the 300MW offshore wind farm project located off the Kent coast. Gwynt y Môr involves the operation of transmission assets for the 576MW offshore wind farm in the Irish Sea. Humber involves the operation of transmission assets for the 219MW offshore wind farm in the North Sea. Thanet, Gwynt y Môr and Humber operate and maintain the transmission assets under the terms of perpetual licences granted by Ofgem which contain the right to be paid a revenue stream over a 20-year period on an availability basis. Welland Bio Power involves the design, construction, financing, operation and maintenance of a 10.4MW waste wood gasifier located at Pebble Hall Farm, Thredingworth. The East Wick and Sweetwater development is a London Legacy Development Corporation project, being carried out in phases, which will result in the creation of two communities, East Wick and Sweetwater, at the Queen Elizabeth Olympic Park in London. With the exception of the Welland Bio Power plant and the Eastwick and Sweetwater project, all assets transfer to the customer at the end of the relevant concession.

Concession company (i) (ii)	Project	Total debt and equity funding £m	Shareholding	Method of accounting	Financial close	Duration years	Construction completion
Pevensey Coastal Defence Ltd	Sea defences	3	25%	JV	July 2000	25	n/a
East Wick and Sweetwater Projects (Phase 1) Ltd	Property development	99	50%	JV	January 2019	3	2021
East Wick and Sweetwater Projects (Phase 2) Ltd	Property development	76	50%	JV	August 2023	3	2026
Thanet OFTO Ltd	Offshore transmission	197	20%	JV	December 2014	20	n/a
Gwynt y Môr OFTO plc	Offshore transmission	256	60%	JV	February 2015	20	n/a
Welland Bio Power Ltd	Waste wood gasifier	17	29.2%	JV	March 2015	n/a	2018
Humber Gateway OFTO Ltd	Offshore transmission	187	20%	JV	September 2016	20	n/a

#### Notes

(i) Registered in England and Wales and the principal operations of each company are in England and Wales.

(ii) Due to the shareholders' agreement between Balfour Beatty and the other shareholder requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of this company, the Directors have accounted for its interest in these companies as a joint venture.

### (e) Balfour Beatty Investments North America

#### Military housing

**Summary** Balfour Beatty through its subsidiary Balfour Beatty Communities LLC is a manager, developer, and investor in a number of US military privatisation projects associated with a total of 55 US Government military bases which includes 55 military family housing communities and one unaccompanied personnel housing community that are expected to contain approximately 43,000 housing units once development, construction and renovation are complete.

The projects comprise 11 military family housing privatisation projects with the United States Department of the Army (Army), seven projects with the United States Department of the Air Force (Air Force) and two projects with the United States Department of the Navy (Navy). In addition, there is one unaccompanied personnel housing (UPH) project with the Army at Fort Stewart.

**Contractual arrangements** The first phase of the project, known as the initial development period, covers the period of initial construction or renovation of military housing on a base, typically lasting three to eight years. With respect to Army and Navy projects, the Government becomes a member or partner of the project entity (Project LLC); the Air Force is not a named partner or member in Balfour Beatty Communities' Project LLCs, however it contributes a commitment to provide a Government direct loan to the Project LLC and has similar rights to share in distributions and cash flows of the Project LLC. On each project, the Project LLC enters into a ground lease with the Government, which provides the Project LLC with a leasehold interest in the land and title to the improvements on the land for a period of 50 years. Each of these military housing privatisation projects includes agreements covering the management, renovation, and development of existing housing units, as well as the development, construction, renovation and management of new units during the term of the project, which, in the case of the Army, could potentially extend for up to an additional 25 years. The 50-year duration of each project calls for continuous renovation, rehabilitation, demolition and reconstruction of housing units. At the end of the ground lease term the Project LLC's leasehold interest terminates and all project improvements on the land generally transfer to the Government.

**Preferred returns** The projects will typically receive, to the extent that adequate funds are available, an annual minimum preferred return. On most existing projects, this annual minimum preferred return ranges from 9% to 12% of Balfour Beatty Communities' initial equity contribution to the project.





## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 41 Principal subsidiaries, joint ventures and associates continued

#### (e) Balfour Beatty Investments North America continued

##### Military housing continued

**Allocation of remaining operating cash flow** Operating cash flow remaining after the annual minimum preferred return is paid is shared between Balfour Beatty Communities and the reinvestment account held by the project for the benefit of the Government. On most of the existing projects, the total amount that Balfour Beatty Communities is entitled to receive (inclusive of the preferred return) is generally capped at an annual modified rate of return, or cash-on-cash return, on its initial equity contribution to the project. Historically, these caps have ranged between approximately 9% to 18% depending on the particular project and the type of return (annual modified rates of return or cash-on-cash). However, in some of the more recent projects, there are either no annual caps or lower projected annual rates of return. The total capped return generally will include the annual minimum preferred return. The reinvestment account is an account established for the benefit of the military, but funds may be withdrawn for construction, development and renovation costs during the remaining life of a privatisation project upon approval by the applicable military service.

**Return of equity** Generally, at the end of a project term, any monies remaining in the reinvestment account are distributed to Balfour Beatty Communities and the Army, Navy or Air Force, in a predetermined order of priority. Typically these distributions will have the effect of providing the parties with sufficient funds to provide a minimum annual return over the life of the project and a complete return of the initial capital contribution. After payment of the minimum annual return and the return of a party's initial contribution, all remaining funds will typically be distributed to the applicable military service.

Military concession company (i)	Projects	Total project funding US\$m	Financial close	Duration years	Construction completion
<b>Military family housing</b>					
Fort Carson Family Housing LLC	Army base	176	November 2003	46	2004
– Fort Carson expansion		130	November 2006	43	2010
– Fort Carson GTA expansion		99	April 2010	39	2013
– Fort Carson GTA II expansion		68	June 2015	34	2018
Stewart Hunter Housing LLC	Two Army bases	374	November 2003	50	2012
Fort Hamilton Housing LLC	Army base	61	June 2004	50	2009
Fort Detrick/Walter Reed Army Medical Center Housing LLC	Two Army bases	112	July 2004	50	2008
Northeast Housing LLC	Seven Navy bases	496	November 2004	50	2010
Fort Eustis/Fort Story Housing LLC	Two Army bases	175	March 2005	50	2011
– Fort Eustis expansion		8	July 2010	45	2011
– Fort Eustis – Marseilles Village		26	March 2013	42	2015
Fort Bliss/White Sands Missile Range Housing LP	Two Army bases	427	July 2005	50	2011
– Fort Bliss expansion		46	December 2009	46	2011
– Fort Bliss GTA expansion phase I		156	July 2011	44	2014
– Fort Bliss GTA expansion phase II		146	November 2012	43	2016
Fort Gordon Housing LLC	Army base	109	May 2006	50	2012
Carlisle/Picatinny Family Housing LP	Two Army bases	84	July 2006	50	2011
– Carlisle Heritage Heights phase II		21	October 2012	44	2014
AETC Housing LP	Four Air Force bases	359	February 2007	50	2012
Southeast Housing LLC	11 Navy bases	558	November 2007	50	2013
Vandenberg Housing LP	Air Force base	155	November 2007	50	2012
Leonard Wood Family Communities LLC	Army base	231	Acquired June 2008	47	2014
AMC West Housing LP	Three Air Force bases	428	July 2008	50	2015
West Point Housing LLC	Army base	220	August 2008	50	2016
Fort Jackson Housing LLC	Army base	181	October 2008	50	2013
Lackland Family Housing LLC	Air Force base	105	Acquired December 2008	50	2013
Western Group Housing LP	Four Air Force bases	328	March 2012	50	2017
Northern Group Housing LLC	Six Air Force bases	427	August 2013	50	2019
ACC Group Housing LLC	Two Air Force bases	56	June 2014	50	2018
<b>Military unaccompanied personnel housing</b>					
Stewart Hunter Housing LLC		36	January 2008	50	2010

##### Note

(i) Registered in the US and the principal operations of each project are conducted in the US.

The Group evaluated each of its interests in the military housing projects to determine if the entities should be consolidated. This analysis included, but was not limited to, identifying the activities that most significantly impact an entity's economic performance, which party or parties control those activities and the risks associated with these entities. Decision-making power over key facets of the contracts was evaluated when determining which party or parties had control over the activities that most significantly impacted a project's economics. Based on this review, the Directors consider that the Group does not have the power to direct these activities and does not have control and therefore the Group does not consolidate the military housing projects and accounts for these projects as investments in associates.

## 41 Principal subsidiaries, joint ventures and associates continued

### (e) Balfour Beatty Investments North America continued

#### Aviation

**Summary** Balfour Beatty is a developer, operator and investor in an automated people mover at Los Angeles International Airport. The people mover will be a 2.25-mile above ground airport transport system.

**Contractual arrangements** The principal contract is the project agreement between the concession partnership and the airport authority. All assets transfer to the authority at the end of the concession.

Concession company	Project	Total project funding US\$m	Shareholding	Method of accounting	Financial close	Duration years	Construction completion
LAX Integrated Express Solutions LLC (i)(ii)	LINXS	2,828	27%	JV	June 2018	30	2024

#### Notes

(i) Registered in the US and the principal operations of the project are conducted in the US.

(ii) Due to the shareholders' agreement between Balfour Beatty and the other shareholder requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of this company, the Directors have accounted for its interest in this company as a joint venture.

#### Residential investments

**Summary** Balfour Beatty is a developer, operator and investor in eight multifamily residential projects.

**Contractual arrangements** Balfour Beatty has acquired residential apartment buildings for eight multifamily residential projects. For all residential projects, the entities have entered into agreements with Balfour Beatty Communities LLC to perform the operations and renovation work.

Residential investments (i)(ii)	Total project funding US\$m	Shareholding	Method of accounting	Financial close	Renovation completion
Carolina Cove (Wilmington) Owner LLC (North Carolina)	48	50%	JV	December 2017	2022
Lexington (Ridgeland) Owner, LLC (Jackson, Mississippi)	27	50%	JV	August 2018	2025
Landings (Jacksonville) Owner, LLC (Florida)	48	50%	JV	August 2019	2025
Retreat at Schillinger (Mobile) Owner, LLC (Alabama)	33	50%	JV	December 2019	2026
Paces Brook (Columbia) Owner, LLC (South Carolina)	27	50%	JV	December 2019	2026
Chenal Pointe (Little Rock) Owner, LLC (Arkansas)	34	50%	JV	October 2020	2027
San Mateo (Kissimmee) Owner, LLC (Florida)	81	50%	JV	August 2021	2027
View SA LLC (San Antonio, Texas)	76	87%	JV	June 2022	2025

#### Notes

(i) Registered in the US and the principal operations of each project are conducted in the US.

(ii) Due to the shareholders'/partnership agreement between Balfour Beatty and the other shareholder/partner requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of this undertaking, the Directors have accounted for its interests in these undertakings as a joint venture.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 41 Principal subsidiaries, joint ventures and associates continued

#### (e) Balfour Beatty Investments North America continued

##### Student accommodation

**Summary** Balfour Beatty is also a developer and owner of six student accommodation projects.

**Contractual arrangements** The principal contracts in the student accommodation projects are the ground leases, development leases and operating agreements with the state universities setting out the obligations for the construction, operation and maintenance of the student accommodation including lifecycle replacement during the concession period. The Tallahassee project is an investment in an existing off-campus student housing community which is structured as a subsidiary.

Concession company (i)(ii)	Total project funding US\$m	Shareholding	Method of accounting	Financial close	Duration years	Construction/renovation completion
Northside Campus Partners LP (Texas Dallas)	54	10%	JV	March 2015	61	2016
Northside Campus Partners 2, LP (Texas Dallas)	67	10%	JV	February 2017	61	2018
Northside Campus Partners 3, LP (Texas Dallas)	36	70%	JV	June 2019	61	2020
Northside Campus Partners 4, LP (Texas Dallas)	70	65%	JV	December 2019	61	2021
Swiftsure Housing Partners, LLC (Vanderbilt)	154	23%	JV	April 2021	45	2023
Oktiv (Tallahassee) Owner, LLC (Florida)	53	100%	Subsidiary	June 2023		2025

##### Notes

(i) Registered in the US and the principal operations of each project are conducted in the US.

(ii) Due to the shareholders'/partnership agreement between Balfour Beatty and the other shareholder/partner requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of this undertaking, the Directors have accounted for its interests in these undertakings as a joint venture.

#### (f) Balfour Beatty Investments UK and North America

Total future committed equity and debt funding for Infrastructure Investments' project companies

Concessions	2024 £m	2025 £m	2026 £m	2027 onwards £m	Total £m
<b>UK</b>					
Student accommodation	–	–	–	62	62
Other concessions	5	–	–	–	5
	5	–	–	62	67
<b>North America</b>					
Aviation	19	4	–	–	23
	24	4	–	62	90
Projects at financial close	19	4	–	32	55
Projects at preferred bidder stage	5	–	–	30	35
<b>Total</b>	24	4	–	62	90

### 42 Audit exemptions taken for subsidiaries

The following subsidiaries are exempt from the requirements under the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of the Act.

	Company registration number
Education Investments Holdings Ltd	6863458
Consort Healthcare Infrastructure Investments Ltd	6859623

### 43 Details of related undertakings of Balfour Beatty plc as at 31 December 2023

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates and joint ventures, including the principal activity, the country of incorporation and the effective percentage of equity owned as at 31 December 2023 is disclosed below. Unless otherwise stated, all interests are in the ordinary share capital or shares of common stock in the entity and are held indirectly by the Company, and all entities operate principally in their country of incorporation. All subsidiaries had a reporting period ended 31 December 2023 and are wholly owned and consolidated into the Group's results, except where indicated.

#### Subsidiary undertakings incorporated in the United Kingdom

Entity	Principal activity
<b>Q14 Quorum Business Park, Benton Lane, Newcastle upon Tyne NE12 8BU</b>	
Aberystwyth Student Accommodation Ltd	Infrastructure Concession
Balfour Beatty Infrastructure Investments Ltd <sup>(i)</sup>	Investment Holding Company
Balfour Beatty Infrastructure Partners Member Ltd	Investment Holding Company
Balfour Beatty Infrastructure Projects Investments Ltd	Investment Holding Company
Balfour Beatty Investments Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty OFTO Holdings Ltd	Investment Holding Company
Balfour Beatty Rail Corporate Services Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty WorkSmart Ltd	Agent of Balfour Beatty Group Ltd
BBI Holdings Australia Ltd	Investment Holding Company
BBPF LLP <sup>(iii)</sup>	Investment Partnership
Connect Roads Derby Holdings Ltd	Investment Holding Company
Connect Roads Derby Ltd	Infrastructure Concession
Connect Roads Infrastructure Investments Ltd	Investment Holding Company
Consort Healthcare Infrastructure Investments Ltd	Investment Holding Company
East Slope Residences Facilities Management Ltd	Infrastructure Concession
East Slope Residences Holdings Ltd	Investment Holding Company
East Slope Residences Partner Ltd	Infrastructure Concession
East Slope Residences plc <sup>(ii)</sup>	Infrastructure Concession
East Slope Residences Student Accommodation LLP <sup>(ii) (iii)</sup>	Infrastructure Concession
Education Investments Holdings Ltd	Investment Holding Company
Initial GP1 Ltd	Investment Holding Company
Manchester Residences (New Cross) Ltd	Infrastructure Concession
South Cambridgeshire Investments Holdings Ltd	Investment Holding Company
West Slope Residences Facilities Management Ltd	Infrastructure Concession
West Slope Residences Finance Ltd	Infrastructure Concession
West Slope Residences Holdings Ltd	Investment Holding Company
West Slope Residences LLP <sup>(iii) (iv)</sup>	Infrastructure Concession
West Slope Residences Partners Ltd	Infrastructure Concession
West Stratford Developments Ltd <sup>(iv)</sup>	Investment Holding Company

Entity	Principal activity
<b>5 Churchill Place, Canary Wharf, London E14 5HU</b>	
Avatar Ltd	Dormant
Balfour Beatty Build Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Building Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty CE Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Civil Engineering (SW) Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Civil Engineering Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Civils Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Const Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Construction (SW) Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Construction International Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Construction Northern Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Engineering Services (HY) Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Group Employment Ltd	Employer For UK Workforce
Balfour Beatty Group Ltd	Construction & Support Services
Balfour Beatty Homes Ltd	Agent of Manring Homes Ltd
Balfour Beatty International Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Investment Holdings Ltd <sup>(i)</sup>	Investment Holding Company
Balfour Beatty Management Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Nominees Ltd	Nominee Company
Balfour Beatty Overseas Investments Ltd	Investment Holding Company
Balfour Beatty Overseas Ltd	Investment Holding Company
Balfour Beatty Property Ltd <sup>(i)</sup>	Agent of Balfour Beatty plc
Balfour Beatty Rail Infrastructure Services Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Rail Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Rail Projects Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Rail Technologies Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Rail Track Systems Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Refurbishment Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Regional Construction Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Utility Solutions Ltd	Agent of Balfour Beatty Group Ltd
Balfour Kilpatrick Ltd	Dormant
BB Indonesia Ltd	Support Services
Balvac Ltd	Agent of Balfour Beatty Group Ltd
Bical Construction Ltd	Agent of Balfour Beatty Group Ltd



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 43 Details of related undertakings of Balfour Beatty plc as at 31 December 2023 continued

#### Subsidiary undertakings incorporated in the United Kingdom continued

Entity	Principal activity
Bignell & Associates Ltd	Agent of Balfour Beatty Group Ltd
Birse Group Ltd	Investment Holding Company
Birse Metro Ltd	Dormant
Bnoms Ltd <sup>(i)</sup>	Nominee Company
BPH Equipment Ltd	Agent of Balfour Beatty Group Ltd
Cowlin Group Ltd	Dormant
Devonshire House Dormant Three Ltd	Dormant
Guinea Investments Ltd	Investment Holding Company
G. N. Haden & Sons Ltd	Dormant
Haden Building Services Ltd	Dormant
Haden Young Ltd <sup>(i)</sup>	Dormant
Hall & Tawse Western Ltd	Dormant
Laser Rail Ltd	Agent of Balfour Beatty Group Ltd
Lonsdale Electric Ltd	Dormant
Manring Homes Ltd <sup>(i)</sup>	Property Investment
Multibuild (Construction & Interiors) Ltd	Agent of Balfour Beatty Group Ltd
Office Projects (Interiors) Ltd	Agent of Balfour Beatty Group Ltd
Omicom Engineering Ltd	Dormant
Raynesway Construction Ltd	Agent of Balfour Beatty Group Ltd
Strata Construction Ltd	Dormant
Urban Fox Networks (UK) Ltd <sup>(vi)</sup>	Infrastructure Concession
<b>Hereford Steel Works, Holmer Road, Hereford HR4 9SW</b>	
Painter Brothers Ltd	Agent of Balfour Beatty Group Ltd
<b>Kings Business Park, Kings Drive, Prescot, Merseyside L34 1PJ</b>	
Balfour Beatty Pension Trust Ltd <sup>(i)</sup>	Pension Fund Trustee
<b>C/O Mc Griggors LLP, Arnott House, 12-16 Bridge Street, Belfast BT1 1LS, Northern Ireland</b>	
Balfour Kilpatrick Northern Ireland Ltd	Dormant
<b>The Curve Building, Axis Business Park, Hurricane Way, Langley, Berkshire SL3 8AG</b>	
Balfour Beatty Ground Engineering Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Infrastructure Services Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Living Places Ltd	Agent of Balfour Beatty Group Ltd
Sunderland Streetlighting Ltd	Agent of Balfour Beatty Group Ltd
Testing and Analysis Ltd	Agent of Balfour Beatty Group Ltd
<b>Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown ML1 4WQ</b>	
Balfour Beatty Construction Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Construction Scottish & Southern Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Kilpatrick Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Rail Residuary Ltd	Agent of Balfour Beatty Group Ltd
Balfour Beatty Regional Civil Engineering Ltd	Agent of Balfour Beatty Group Ltd
BBPFS LP <sup>(iii)</sup>	Investment Partnership

Entity	Principal activity
Glasgow Residences (Kennedy Street) Holdings Ltd	Investment Holding Company
Glasgow Residences (Kennedy Street) LLP <sup>(iii)</sup>	Infrastructure Concession
Glasgow Residences (Kennedy Street) SPV Ltd	Infrastructure Concession
Hall & Tawse Ltd	Dormant
Initial Founder Partner GP1 Ltd	Investment Holding Company

#### **Midmill Business Park, Tumulus Way, Kintore, Aberdeenshire AB51 0TG**

Balfour Beatty Engineering Services (CL) Ltd	Agent of Balfour Beatty Group Ltd
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#### **C/O Mazars, Tower Bridge House, St Katharine's Way, London E1W 1DD**

Balfour Beatty Power Construction Ltd	Dormant
Balfour Beatty Power Networks (Distribution Services) Ltd	Dormant
Branlow Ltd	Dormant
Mansell Maintenance Ltd	Dormant

#### **C/O Mazars LLP, 30 Old Bailey, London EC4M 7AU**

Birse Construction Ltd	Investment Holding Company – In Liquidation
Edgar Allen Engineering Ltd	Dormant – In Liquidation
Mansell plc	Investment Holding Company – In Liquidation

#### **West Service Road, Raynesway, Derby DE21 7BG**

Balfour Beatty Plant & Fleet Services Ltd	Agent of Balfour Beatty Group Ltd
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#### **C/O Mazars LLP, 100 Queen Street, Glasgow G1 3DN Scotland**

Balfour Beatty Engineering Services (LEL) Ltd	Dormant
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#### **Lumina Building, 40 Ainslie Road, Hillington Park, Glasgow G52 4RU**

Shaw-Petrie Ltd	Dormant
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#### **42-44 Clarendon Road, Watford, Hertfordshire WD17 1DR**

Barlow & Young, Ltd	Dormant
Haden International Ltd	Dormant

#### **Fourth Floor, 130 Wilton Road, London SW1V 1LQ**

00158345 Ltd	Dormant
01198171 Ltd	Dormant
BICC Dormant One Ltd	Dormant
Devonshire House Dormant One Ltd	Dormant

#### **Third Floor Devonshire House, Mayfair Place, London W1X 5FH**

BICC Thermoheat Ltd	Dormant
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#### Notes

(i) Held directly by Balfour Beatty plc.

(ii) 80% owned.

(iii) Partnership interests held.

(iv) 31 March year end.

(v) 81% owned.

(vi) The Group holds a 77.8% direct interest in Urban Fox Networks (UK) Ltd and an indirect interest of 5.6% through the Group interest in Urban Electric Networks Ltd.

#### Subsidiary undertakings incorporated outside the United Kingdom

Entity	Principal activity
<b>Australia</b>	
<b>Allens Corporate Services Pty Limited, Level 33, 101 Collins Street, Melbourne, Victoria, 3000</b>	
Balfour Beatty Australian Limited Partnership <sup>(iii)</sup>	Holding company



## 43 Details of related undertakings of Balfour Beatty plc as at 31 December 2023 continued

Subsidiary undertakings incorporated outside the United Kingdom continued

Entity	Principal activity	Entity	Principal activity
<b>Level 12, 680 George Street, Sydney, NSW 2000</b>		Balfour Beatty Construction (Thailand) Co Ltd	Dormant
Balfour Beatty Australia Pty Ltd	Construction & Support Services	Balfour Beatty Holdings (Thailand) Co Ltd	Dormant
<b>Bahamas</b>		Balfour Beatty Thai Ltd	Dormant
<b>The Alexander Corporate Group Limited, One Millars Court, P.O. Box N-7117, Nassau</b>		Linwood Co Ltd	Dormant
Balfour Beatty Bahamas Ltd	Dormant	<b>United States</b>	
<b>Canada</b>		<b>1011 Centre Road, Suite 310, Wilmington DE 19805</b>	
<b>Borden Ladner Gervais LLP, 22 Adelaide Street West, Suite 3400, Toronto, ON, M5H 4E3</b>		Balfour Beatty Holdings Inc	Investment Holding Company
BB Group Canada Inc	Investment Holding Company	Balfour Beatty LLC	Investment Holding Company
<b>Taylor McCaffrey LLP, 900-400 St. Mary Avenue, Winnipeg, MB, R3C 4K5</b>		<b>300 Galleria Parkway, Suite 2050, Atlanta, GA 30339</b>	
Balfour Beatty Communities GP, Inc	Infrastructure Investment	National Engineering & Contracting Company	Construction Services
Balfour Beatty Communities, LP <sup>(ii)</sup>	Infrastructure Investment	Balfour Beatty Infrastructure, Inc	Construction Services
Balfour Beatty Construction, LP <sup>(ii)</sup>	Construction Services	<b>Corporation Service Company, 1127 Broadway Street NE, Suite 310, Salem OR 97301</b>	
Balfour Beatty Construction GP, Inc	Construction Services	Balfour Beatty Rock Springs, LLC	Construction Services
Balfour Beatty Investments GP, Inc	Infrastructure Investment	<b>Corporation Service Company, 1703 Laurel Street, Columbia, SC 29201</b>	
Balfour Beatty Investments, LP <sup>(ii)</sup>	Infrastructure Investment	National Casualty and Assurance, Inc	Insurance Company
BB NIH GP, Inc	Infrastructure Investment	<b>Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808</b>	
<b>Germany</b>		Balfour Beatty Campus Solutions, LLC	Infrastructure Holding Company
<b>Garmischer Strasse 35, 81373 Munich</b>		Balfour Beatty Communities, LLC	Infrastructure Investment
Balfour Beatty Rail GmbH	Dormant	Balfour Beatty Construction D.C., LLC	Construction Services
BICC Holdings GmbH	Investment Holding Company	Balfour Beatty Construction, LLC	Construction Services
Schreck-Mieves GmbH	Dormant	Balfour Beatty Developments Holdo, LLC	Infrastructure Investment
<b>Hong Kong</b>		Balfour Beatty Developments, Inc	Construction Services
<b>5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong</b>		Balfour Beatty Equipment, LLC	Construction Services
Balfour Beatty Hong Kong Ltd	Construction & Support Services	Balfour Beatty Investments, Inc	Investment Company
<b>India</b>		Balfour Beatty Management Inc	Business Services
<b>6th Floor, N-1 Balsa Block, Manyata Embassy Business Park, Nagavara, Rachenahalli Village, Bangalore – 560045, India</b>		Balfour Beatty/Benham	Infrastructure Investment
Balfour Beatty Infrastructure India Pvt. Ltd	Engineering Design Consultancy	Military Communities LLC <sup>(iv)</sup>	
<b>Ireland</b>		Balfour Beatty/PHELPS	Infrastructure Investment
<b>City Junction Business Park, Northern Cross, Malahide Road, Dublin 17</b>		Military Communities LLC <sup>(iv)</sup>	
Balfour Beatty Ireland Ltd	Support Services	Balfour Beatty Military Housing Development LLC	Infrastructure Investment
<b>Isle of Man</b>		Balfour Beatty Military Housing Investments LLC	Investment Holding Company
<b>Tower House, Loch Promenade, Douglas IM1 2LZ, Isle of Man</b>		Balfour Beatty Military Housing Management LLC	Infrastructure Investment
Delphian Insurance Company Ltd <sup>(i)</sup>	Insurance Company	Balfour Beatty – Worthgroup, LLC	Construction Services
<b>Jersey</b>		BBC AF Housing Construction LLC	Infrastructure Investment
<b>12 Castle Street, St. Helier, Jersey</b>		BBC AF Management/Development LLC	Infrastructure Investment
Balfour Beatty Employees Trustees Ltd <sup>(i)</sup>	Employee Trust	BBC Independent Member I, Inc	Infrastructure Investment
<b>Malaysia</b>		BBC Independent Member II, Inc	Infrastructure Investment
<b>12th Floor, Menara symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor</b>		BBC Military Housing – ACC Group, LLC	Infrastructure Investment
Balfour Beatty Rail Design International Sdn Bhd	Support Services	BBC Military Housing – AETC General Partner LLC <sup>(iii)</sup>	Infrastructure Investment
<b>Netherlands</b>		BBC Military Housing – AETC Limited Partner LLC <sup>(iii)</sup>	Infrastructure Investment
<b>Rapenburgerstraat 177/B, 1011 VM Amsterdam</b>		BBC Military Housing – AMC General Partner LLC	Infrastructure Investment
Balfour Beatty Netherlands B.V.	Investment Holding Company	BBC Military Housing – AMC Limited Partner LLC	Infrastructure Investment
<b>Romania</b>		BBC Military Housing – Bliss/WSMR General Partner LLC	Infrastructure Investment
<b>23 General Ernest Brosteanu Street, 1st District, 010527, Bucharest</b>		BBC Military Housing – Bliss/WSMR Limited Partner LLC	Infrastructure Investment
S.C. Balfour Beatty Rail S.R.L.	Dormant - In Liquidation	BBC Military Housing – Carlisle/Picatunny General Partner LLC	Infrastructure Investment
<b>Sri Lanka</b>		BBC Military Housing – Carlisle/Picatunny Limited Partner LLC	Infrastructure Investment
<b>Phase 3 Investment Promotion Zone, Katunayake, Colombo, Western Province</b>			
Balfour Beatty Ceylon (Private) Ltd	Support Services		
<b>Thailand</b>			
<b>9 Soi Santisuk, Sithisarn Road, Huay Kwang, Bangkok</b>			
Asia Trade Development Co Ltd	Dormant		



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 43 Details of related undertakings of Balfour Beatty plc as at 31 December 2023 continued

#### Subsidiary undertakings incorporated outside the United Kingdom continued

Entity	Principal activity
BBC Military Housing – FDWR LLC <sup>(v)</sup>	Infrastructure Investment
BBC Military Housing – Fort Carson LLC	Infrastructure Investment
BBC Military Housing – Fort Gordon LLC	Infrastructure Investment
BBC Military Housing – Fort Hamilton LLC	Infrastructure Investment
BBC Military Housing – Fort Jackson LLC	Infrastructure Investment
BBC Military Housing – Hampton Roads LLC	Infrastructure Investment
BBC Military Housing – Lackland LLC	Infrastructure Investment
BBC Military Housing – Leonard Wood LLC	Infrastructure Investment
BBC Military Housing – Navy Northeast LLC <sup>(v)</sup>	Infrastructure Investment
BBC Military Housing – Navy Southeast LLC	Infrastructure Investment
BBC Military Housing – Northern Group, LLC	Infrastructure Investment
BBC Military Housing – Stewart Hunter LLC	Infrastructure Investment
BBC Military Housing – Vandenberg General Partner LLC <sup>(v)</sup>	Infrastructure Investment
BBC Military Housing – Vandenberg Limited Partner LLC <sup>(v)</sup>	Infrastructure Investment
BBC Military Housing – West Point LLC	Infrastructure Investment
BBC Military Housing – Western General Partner, LLC	Infrastructure Investment
BBC Military Housing – Western Limited Partner, LLC	Infrastructure Investment
BBC Multifamily Holdings, LLC	Infrastructure Investment
BBCS – Northside Campus LLC	Infrastructure Investment
BBCS Development, LLC	Infrastructure Investment
BB Developments Sub Holdco, LLC	Infrastructure Investment
BICC Cables Corporation	Business Services
Oktiv (Tallahassee) Owner, LLC	Infrastructure Investment

#### Corporation Service Company, 300 Deschutes Way SW, Suite 304, Tumwater WA 98501

Howard S. Wright Construction Co	Construction Services
HSW, Inc	Construction Services

#### CSC – Nevada, C/O CSC Services of Nevada, Inc., 502 East John Street Carson City, Nevada 89706

Balfour Beatty-Golden Construction Company	Construction Services
Balfour Beatty Construction Company, Inc	Construction Services
Balfour Beatty Construction Group, Inc	Construction Services

#### Notes

- (i) Held directly by Balfour Beatty plc.
- (ii) Partnership interests held.
- (iii) 80% interest held.
- (iv) 89% interest held.
- (v) 90% interest held.

#### Joint ventures incorporated in the United Kingdom

Entity	% held by the Group	Principal activity
<b>Q14 Quorum Business Park, Benton Lane, Newcastle Upon Tyne, England, England, NE12 8BU</b>		
BBDE Orbital Holdings, LLP <sup>(iii) (v)</sup>	37.5	Investment Holding Company
Connect A30/A35 Holdings Ltd <sup>(iv)</sup>	20	Investment Holding Company
Connect A30/A35 Ltd <sup>(iv)</sup>	20	Infrastructure Concession
Connect A50 Ltd <sup>(iv)</sup>	25	Infrastructure Concession
Connect CNDR Holdings Ltd <sup>(iv)</sup>	25	Investment Holding Company

Entity	% held by the Group	Principal activity
Connect CNDR Intermediate Ltd <sup>(iv)</sup>	25	Infrastructure Concession
Connect CNDR Ltd <sup>(iv)</sup>	25	Infrastructure Concession
Connect M1-A1 Holdings Ltd <sup>(i) (iv)</sup>	20	Investment Holding Company
Connect M1-A1 Ltd <sup>(iv)</sup>	20	Infrastructure Concession
Connect M77/GSO Holdings Ltd <sup>(ii) (iv)</sup>	85	Investment Holding Company
Connect M77/GSO plc <sup>(ii) (iv)</sup>	85	Infrastructure Concession
Connect Roads Cambridgeshire Holdings Ltd	20	Investment Holding Company
Connect Roads Cambridgeshire Intermediate Ltd	20	Infrastructure Concession
Connect Roads Cambridgeshire Ltd	20	Infrastructure Concession
Connect Roads Coventry Holdings Ltd	20	Investment Holding Company
Connect Roads Coventry Intermediate Ltd	20	Infrastructure Concession
Connect Roads Coventry Ltd	20	Infrastructure Concession
Connect Roads Ltd <sup>(iv)</sup>	25	Investment Holding Company
Connect Roads Northamptonshire Holdings Ltd	20	Investment Holding Company
Connect Roads Northamptonshire Intermediate Ltd	20	Infrastructure Concession
Connect Roads Northamptonshire Ltd	20	Infrastructure Concession
Connect Roads South Tyneside Holdings Ltd	20	Investment Holding Company
Connect Roads South Tyneside Ltd	20	Infrastructure Concession
Connect Roads Sunderland Holdings Ltd	20	Investment Holding Company
Connect Roads Sunderland Ltd	20	Infrastructure Concession
East Wick and Sweetwater Projects (Holdings) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
East Wick and Sweetwater Projects (Phase 1) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
East Wick and Sweetwater Projects (Phase 2) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
East Wick and Sweetwater Projects (Phase 3) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
East Wick and Sweetwater Projects (Phase 4) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
East Wick and Sweetwater Projects (Phase 5) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
East Wick and Sweetwater Projects (Phase 7A) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
East Wick and Sweetwater Projects (Phase 7) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
East Wick and Sweetwater Finance (Holdings) Ltd <sup>(iv)</sup>	50	Investment Holding Company
East Wick and Sweetwater Projects (Finance) Ltd <sup>(iv)</sup>	50	Infrastructure Concession
Gwynt y Mor OFTO Holdings Ltd <sup>(ii) (iv)</sup>	60	Investment Holding Company
Gwynt y Mor OFTO Intermediate Ltd <sup>(ii) (iv)</sup>	60	Infrastructure Concession

## 43 Details of related undertakings of Balfour Beatty plc as at 31 December 2023 continued

### Joint ventures incorporated in the United Kingdom continued

Entity	% held by the Group	Principal activity
Gwynt y Mor OFTO plc <sup>(iii) (iv)</sup>	60	Infrastructure Concession
Humber Gateway OFTO Holdings Ltd <sup>(iv)</sup>	20	Investment Holding Company
Humber Gateway OFTO Intermediate Ltd <sup>(iv)</sup>	20	Infrastructure Concession
Humber Gateway OFTO Ltd <sup>(iv)</sup>	20	Infrastructure Concession
South Cambridgeshire Projects LLP <sup>(v)</sup>	50	Infrastructure Concession
Thanet OFTO Holdco Ltd <sup>(iv)</sup>	20	Investment Holding Company
Thanet OFTO Intermediate Ltd <sup>(iv)</sup>	20	Infrastructure Concession
Thanet OFTO Ltd <sup>(iv)</sup>	20	Infrastructure Concession
<b>Connect Plus House, St Albans Road, South Mimms, Hertfordshire EN6 3NP</b>		
Connect Plus (M25) Holdings Ltd <sup>(iii) (iv)</sup>	15	Investment Holding Company
Connect Plus (M25) Intermediate Ltd <sup>(iii) (iv)</sup>	15	Infrastructure Concession
Connect Plus (M25) Issuer plc <sup>(iii) (iv)</sup>	15	Infrastructure Concession
Connect Plus (M25) Ltd <sup>(iii) (iv)</sup>	15	Infrastructure Concession
<b>Maxim 7, Maxim Office Park, Parklands Avenue, Eurocentral, Holytown ML1 4WQ</b>		
Holyrood Holdings Ltd	20	Investment Holding Company
Holyrood Student Accommodation Holdings Ltd	20	Infrastructure Concession
Holyrood Student Accommodation Intermediate Ltd	20	Infrastructure Concession
Holyrood Student Accommodation plc	20	Infrastructure Concession
Holyrood Student Accommodation SPV Ltd	20	Infrastructure Concession
<b>Westminster House, Crompton Way, Segensworth West, Fareham, Hampshire PO15 5SS</b>		
Pevensey Coastal Defence Ltd	25	Infrastructure Concession
<b>C/O Pario Ltd, 18 Riversway Business Village, Navigation Way, Preston PR2 2YP</b>		
Consort Healthcare (Birmingham) Funding plc	40	Infrastructure Concession
Consort Healthcare (Birmingham) Holdings Ltd	40	Investment Holding Company
Consort Healthcare (Birmingham) Intermediate Ltd	40	Infrastructure Concession
Consort Healthcare (Birmingham) Ltd	40	Infrastructure Concession
<b>9 Amberside House Wood Lane, Paradise Industrial Estate, Hemel Hempstead, Hertfordshire, England HP2 4TP</b>		
Pebblehall Bio Power Ltd	29.2	Investment Holding Company
Urban Electric Networks Ltd	25	Infrastructure Concession
Welland Bio Power Ltd	29.2	Infrastructure Concession

#### Notes

- (i) Held directly by Balfour Beatty plc.
- (ii) Due to the shareholders' agreement between Balfour Beatty and the other shareholders requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of the company, the Directors consider that the Group does not control the company and it has been accounted as a joint venture.
- (iii) The Group owned a 37.5% partnership interest in BBDE Orbital Holdings LLP at 31 December 2022. Connect Plus (M25) Holdings Ltd and its subsidiaries are 40% owned by BBDE Orbital Holdings LLP.
- (iv) 31 March year end.
- (v) Partnership interests held.

### Joint ventures incorporated outside the United Kingdom

Entity	% held by the Group	Principal activity
<b>Bermuda</b>		
<b>Conyers Dill &amp; Pearman Limited, Clarendon House, 2 Church Street, Hamilton HM 11</b>		
CP Bay Carry A LP <sup>(iii)</sup>	20	Infrastructure Concession
CP Bay Carry B LP <sup>(iii)</sup>	20	Infrastructure Concession
<b>British Virgin Islands</b>		
<b>Vistra Corporate Services Centre, Wickhams Cay II Road Town, Tortola VG1110</b>		
Gammon Asia Ltd	50	Management Company
Gammon Construction Holdings Ltd	50	Investment Holding Company
<b>Canada</b>		
<b>Taylor McCaffrey LLP, 900-400 St. Mary Avenue, Winnipeg, MB, R3C 4K5</b>		
CWH Facilities Management, LP <sup>(iii)</sup>	50	Infrastructure Investment
CWH FM GP Inc	50	Infrastructure Investment
CWH Design – Build GP <sup>(iii)</sup>	50	Construction Services
<b>China</b>		
<b>Hong Kong Avenida da Praia Grande, n°429, 25° andar D, em Macau</b>		
BBE&M (Macau) Ltd	50	Electrical and Mechanical Contracting
Gammon Building Construction (Macau) Ltd	50	Building Construction
<b>No. 457, Shatian Section, Ganggang Avenue, Shatian Town, Dongguan City, Guangdong Province</b>		
Dongguan Pristine Metal Works Ltd	50	Manufacturing Services
<b>25th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong</b>		
Sanfield-Gammon Construction JV Company Ltd	25	Construction Services
<b>22/F, Tower 1, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong</b>		
AsiaBuild Ltd	50	Dormant
Balfour Beatty E&M Ltd	50	Dormant
Digital G Ltd	50	Technology and Innovation
Entasis Ltd	50	General Contractor
Gammon Building Construction Ltd	50	Building Construction
Gammon Capital Ltd	50	Dormant
Gammon Capital Management Ltd	50	Dormant



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 43 Details of related undertakings of Balfour Beatty plc as at 31 December 2023 continued

#### Joint ventures incorporated outside the United Kingdom continued

Entity	% held by the Group	Principal activity
Gammon China Ltd	50	Investment Holding Company
Gammon Concrete Services Ltd	50	Dormant
Gammon Construction (China) Ltd	50	Building Construction
Gammon Construction (Vietnam) Holdings Ltd	50	Construction and Project Management
Gammon Construction Consultants (Shenzhen) Ltd	50	Support Services
Gammon Construction Ltd <sup>(iii)</sup>	50	Engineering and Construction
Gammon E&M Ltd	50	Engineering Services
Gammon Engineering & Construction Company Ltd	50	Engineering and Construction
Gammon Engineering Ltd	50	Dormant
Gammon Finance Ltd	50	Finance and Investment
Gammon Interiors Ltd	50	Dormant
Gammon Management Services Ltd	50	Construction Management Services
Gammon Plant Ltd	50	Plant and Equipment Hire and Maintenance
Gold Tactics Investment Ltd	50	Dormant
Into G Ltd	50	Interior Fit-Out and Contracting
Lambeth Associates Ltd	50	Management and Consultancy Services
Pristine Metal Works Ltd	50	Investment Holding Company
<b>Ireland</b>		
<b>3 Dublin Landings, North Wall Quay, Dublin 1, D01 C4E0</b>		
Balfour Beatty CLG Ltd	50	Support Services
<b>C/O Pario SPV Management Limited, Suite 54, Morrison Chambers, 32 Nassau St, Dublin 2, D02 AP29</b>		
Healthcare Centres PPP Holdings Ltd	40	Investment Holding Company
Healthcare Centres PPP Ltd	40	Infrastructure Concession
<b>Malaysia</b>		
<b>Unit B-9-7, Level 9, Capital 2, Oasis Square, No.2 Jalan PJU 1A/7A, Ara Damansara, 47301 Petaling Jaya, Selangor, Malaysia</b>		
Gammon Sdn Bhd	50	Dormant
Pesaka Gammon Construction Sdn Bhd	15	Dormant
<b>Philippines</b>		
<b>G/F Makati Stock Exchange, Ayala Avenue, Makati City, Metro Manila, Philippines</b>		
Gammon Philippines, Inc.	20	General Construction
MG Construction Ventures Holdings, Inc.	16.65	Property Investment
<b>Singapore</b>		
<b>239 Alexandra Road, 159930</b>		
Digital G (Singapore) Pte. Ltd	50	Equipment Services
Gammon Construction and Engineering Pte. Ltd	50	Construction Services
Gammon Construction Holdings (S) Pte. Ltd	50	Investment Holding Company

Entity	% held by the Group	Principal activity
Gammon Pte. Ltd	50	Engineering and Construction
Lambeth Associates Design & Consultancy Pte Ltd	50	Management and Consultancy Services
<b>Thailand</b>		
<b>21st Floor, Times Square Building, 246 Sukhumvit Road, Klongtoey Sub-District, Klongtoey District, Bangkok 10110, Thailand</b>		
Gammon (Thailand) Ltd	24.5	Dormant
<b>23rd Floor, Times Square Building, 246 Sukhumvit Road, Klongtoey Sub-District, Klongtoey District, Bangkok 10110, Thailand</b>		
Gammon Construction (Thailand) Ltd	24.5	Dormant
Thai Gammon Ltd	24.5	Dormant
<b>United States</b>		
<b>Corporation Service Company 1201 Hays Street, Tallahassee FL 32301</b>		
C-BB Management, LLC	50	Infrastructure Investment
C-BBC Development, LLC	50	Infrastructure Investment
<b>Corporation Service Company, d/b/a CSC-Lawyers, Incorporating Service Company, 211 E. 7th Street, Suite 620, Austin TX 78701-3218</b>		
Northside Campus Partners, LP <sup>(iii)</sup>	10	Infrastructure Concession
Northside Campus Partners 2, LP <sup>(iii)</sup>	10	Infrastructure Investment
Northside Campus Partners 3, LP <sup>(iii)</sup>	70	Infrastructure Concession
Northside Campus Partners 4, LP <sup>(iii)</sup>	65	Infrastructure Concession
Northside Campus General Partner, LLC	50	Infrastructure Concession
<b>Corporation Service Company, 251 Little Falls Drive, Wilmington DE19808</b>		
BBC – ApexOne Carolina Cove, LLC	50	Infrastructure Investment
BBC – ApexOne Chenal Pointe, LLC	50	Infrastructure Investment
BBC – ApexOne City Lake, LLC	50	Infrastructure Investment
BBC – ApexOne Landings, LLC	50	Infrastructure Investment
BBC – ApexOne Lexington, LLC	50	Infrastructure Investment
BBC – ApexOne Moretti, LLC	50	Infrastructure Investment
BBC – ApexOne Paces Brook, LLC	50	Infrastructure Investment
BBC – ApexOne Retreat, LLC	50	Infrastructure Investment



## 43 Details of related undertakings of Balfour Beatty plc as at 31 December 2023 continued

### Joint ventures incorporated outside the United Kingdom continued

Entity	% held by the Group	Principal activity
BBC – ApexOne Riverchase Landing, LLC	50	Infrastructure Investment
BBC – ApexOne San Mateo, LLC	50	Infrastructure Investment
BBC – ApexOne Southwind, LLC	50	Infrastructure Investment
BBC – ApexOne Wolfchase, LLC	50	Infrastructure Investment
BBC Army Integrated, LLC	10	Infrastructure Investment
Carolina Cove (Wilmington) Owner, LLC	50	Infrastructure Investment
Chenal Pointe (Little Rock) Owner, LLC	50	Infrastructure Investment
City Lake (Houston) Owner, LLC	50	Infrastructure Investment
LAX Integrated Express Solutions Holdco, LLC	27	Infrastructure Concession
LAX Integrated Express Solutions, LLC	27	Infrastructure Concession
Landings (Jacksonville) Owner, LLC	50	Infrastructure Investment
Lexington (Ridgeland) Owner, LLC	50	Infrastructure Investment
Moretti (Homewood) Owner, LLC	50	Infrastructure Investment
Northside Campus Limited Partner, LLC	10	Infrastructure Concession
Paces Brook (Columbia) Owner, LLC	50	Infrastructure Investment
Retreat at Schillinger (Mobile) Owner, LLC	50	Infrastructure Investment
Riverchase Landing (Hoover) Owner, LLC	7.5	Infrastructure Investment
San Mateo (Kissimmee) Owner, LLC	50	Infrastructure Investment
Southwind (Memphis) Owner, LLC	20	Infrastructure Investment
Southwind (Memphis) Holdings, LLC	20	Infrastructure Investment
Swiftsure Housing Partners, LLC	23	Infrastructure Concession
T-BBA Riverchase Holdings, LLC	7.5	Infrastructure Investment
View SA Holding Company LP <sup>(i)(iii)</sup>	87	Infrastructure Investment
View SA LLC <sup>(i)</sup>	87	Infrastructure Investment
Wolfchase (Bartlett) Owner, LLC	50	Infrastructure Investment
<b>Corporation Service Company, 1900 W Littleton Blvd., Littleton, CO 80120</b>		
Denver Transit Constructors LLC	30	Design and Construction
Denver Transit Operators LLC	33.3	Operations and Maintenance
Denver Transit Systems LLC	50	Design and Construction

Entity	% held by the Group	Principal activity
<b>Registered Agent Solutions, Inc. 9 E Lockerman Street, Suite 311 Dover DE 19901</b>		
United Campus Partners, LLC	50	Infrastructure Investment
<b>Vietnam</b>		
<b>5th Floor, Gemadept Tower, 2Bis-4-6 Le Thanh Ton Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam</b>		
Gammon Construction Vietnam Co. Ltd	50	Building Construction and Management Services

#### Notes

- (i) Due to the shareholders' agreement between Balfour Beatty and the other shareholders requiring unanimity of agreement in respect of significant matters related to the financial and operating policies of the company, the Directors consider that the Group does not control the company and it has been accounted for as a joint venture.
- (ii) Preference shares and/or deferred shares also held.
- (iii) Partnership interest held.





## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 43 Details of related undertakings of Balfour Beatty plc as at 31 December 2023 continued

#### Associated undertakings incorporated in and outside the United Kingdom

Entity	% held by the Group	Principal activity
<b>United Kingdom</b>		
<b>Ashford House, Grenadier Road, Exeter EX1 3LH</b>		
UBB Waste (Essex) Ltd	30	Dormant
<b>United States</b>		
<b>Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808</b>		
ACC Group Housing, LLC <sup>(i)</sup>	100	Infrastructure Concession
AETC Housing LP <sup>(i)(ii)</sup>	80	Infrastructure Concession
AMC West Housing LP <sup>(i)(ii)</sup>	100	Infrastructure Concession
Carlisle/Picatinny Family Housing LP <sup>(ii)</sup>	10	Infrastructure Concession
FDWR Parent LLC	10	Infrastructure Concession
Fort Bliss/White Sands Missile Range Housing LP <sup>(ii)</sup>	10	Infrastructure Concession
Fort Carson Family Housing LLC	10	Infrastructure Concession
Fort Detrick/Walter Reed Army Medical Center Housing LLC <sup>(i)</sup>	100	Infrastructure Concession
Fort Eustis/Fort Story Housing LLC	10	Infrastructure Concession
Fort Gordon Housing LLC	10	Infrastructure Concession
Fort Hamilton Housing LLC	10	Infrastructure Concession
Fort Jackson Housing LLC	10	Infrastructure Concession
Lackland Family Housing, LLC <sup>(i)</sup>	100	Infrastructure Concession
Leonard Wood Family Communities, LLC	10	Infrastructure Concession
Northeast Housing LLC	10	Infrastructure Concession
Northern Group Housing, LLC <sup>(i)</sup>	100	Infrastructure Concession
Southeast Housing LLC <sup>(i)</sup>	100	Infrastructure Concession
Stewart Hunter Housing LLC	10	Infrastructure Concession
Vandenberg Housing LP <sup>(i)(ii)</sup>	90	Infrastructure Concession
Western Group Housing, LP <sup>(i)(ii)</sup>	100	Infrastructure Concession
West Point Housing LLC	10	Infrastructure Concession

#### Notes

(i) The Group evaluated each of its interests in the military housing projects to determine if the associated entities should be consolidated. This analysis included, but was not limited to, identifying the activities that most significantly impact an entity's economic performance, which party or parties control those activities and the risks associated with these entities. Decision-making power over key facets of the contracts were evaluated when determining which party or parties had control over the activities that most significantly impact a project's economics. Based on this review, the Directors consider that the Group does not have the power to direct these activities and does not control or jointly control them and therefore the entities have been accounted for as associated undertakings.

(ii) Partnership interests held.



## UNAUDITED GROUP FIVE-YEAR SUMMARY

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
<b>Income</b>					
Revenue including share of joint ventures and associates	<b>9,595</b>	8,931	8,263	8,593	8,411
Share of revenue of joint ventures and associates	<b>(1,602)</b>	(1,302)	(1,078)	(1,273)	(1,098)
Group revenue	<b>7,993</b>	7,629	7,185	7,320	7,313
Underlying profit from operations	<b>228</b>	279	197	51	221
Underlying net finance income/(costs)	<b>33</b>	12	(10)	(15)	(21)
Underlying profit before taxation	<b>261</b>	291	187	36	200
Amortisation of acquired intangible assets	<b>(5)</b>	(6)	(5)	(6)	(6)
Other non-underlying items	<b>(12)</b>	2	(95)	18	(56)
Profit before taxation	<b>244</b>	287	87	48	138
Taxation	<b>(50)</b>	–	52	(18)	(5)
Profit for the year	<b>194</b>	287	139	30	133
Profit for the year attributable to equity holders	<b>197</b>	288	140	30	130
(Loss)/profit for the year attributable to non-controlling interests	<b>(3)</b>	(1)	(1)	–	3
Profit for the year	<b>194</b>	287	139	30	133
<b>Capital employed</b>					
Equity holders' equity	<b>1,198</b>	1,378	1,369	1,336	1,368
Liability component of preference shares	<b>–</b>	–	–	–	110
Net non-recourse borrowings – infrastructure concessions	<b>264</b>	242	243	317	302
Net cash – other	<b>(842)</b>	(815)	(790)	(581)	(512)
	<b>620</b>	805	822	1,072	1,268
	2023 Pence	2022 Pence	2021 Pence	2020 Pence	2019 Pence
<b>Statistics</b>					
Underlying earnings per ordinary share*	<b>37.3</b>	47.5	29.7	3.7	26.7
Basic earnings per ordinary share	<b>35.3</b>	46.9	21.3	4.4	19.0
Diluted earnings per ordinary share	<b>34.8</b>	46.3	21.1	4.4	18.8
Proposed dividends per ordinary share	<b>11.5</b>	10.5	9.0	1.5	2.1
Underlying profit from operations before net finance income/(costs) including share of joint ventures and associates as a percentage of revenue including share of joint ventures and associates	<b>2.4%</b>	3.1%	2.4%	0.6%	2.6%

### Note

\* Underlying earnings per ordinary share have been disclosed to give a clearer understanding of the Group's underlying trading performance.



## SHAREHOLDER INFORMATION

### Financial calendar 2024

9 May	Annual General Meeting
3 July	Final 2023 dividend payable
14 August*	2024 half year results announcement
2 December*	Interim 2024 dividend payable
5 December*	Trading update

\* Dates are subject to change

#### Registrar

Balfour Beatty's share register is maintained by Equiniti, the Company's Registrar. All administrative enquiries relating to shareholdings and requests to receive corporate documents by email should, in the first instance, be directed to Equiniti, clearly stating your registered address and, if available, your shareholder reference number.

Please visit their website [www.shareview.co.uk](http://www.shareview.co.uk).

Telephone: +44 (0) 371 384 2703. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8.30am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.

#### Share certificates

In order to sell or transfer your shares, you must ensure that you have a valid share certificate. This must be in the name of Balfour Beatty plc. If you lose or misplace your share certificate, you can contact Equiniti customer experience centre and request a replacement certificate. Equiniti will then issue a letter of indemnity to you which you will need to sign and return for a new certificate to be produced. There is a fee charged for this service which includes an administration charge and a counter signature fee (the counter signature fee can vary depending on the value of the shareholding).

#### Dividends and dividend reinvestment plan

Dividends may be paid directly into your bank or building society account through the Bankers Automated Clearing System (BACS). Equiniti can provide a dividend mandate form. A Dividend Reinvestment Plan (DRIP) is offered which allows holders of shares to reinvest their cash dividends in the Company's shares through a specially arranged share dealing service. Full details of the DRIP and its charges, together with mandate forms, are available at: [www.shareview.co.uk](http://www.shareview.co.uk).

#### International payment service

Shareholders outside the UK may elect to receive dividends directly into their overseas bank account, or by currency draft, instead of by sterling cheque. For further information, contact the Company's Registrar, Equiniti using the contact details above.

#### Electronic shareholder communications

The Company's website [www.balfourbeatty.com](http://www.balfourbeatty.com) provides a range of information about the Company, our people and businesses and our policies on corporate governance, sustainability and health and safety. The website should be regarded as your first point of reference for information on any of these matters. The share price can also be found there. You can create a Shareview account, through which you will be able to access the full range of online shareholder services, including the ability to: view your holdings and indicative share price and valuation; view movements on your holdings and your dividend payment history; register a dividend mandate to have your dividends paid directly into your bank account; change your registered address; sign up to receive e-communications to access the online proxy voting facility; and download and print shareholder forms. Shareview is easy to use. Please visit [www.shareview.co.uk](http://www.shareview.co.uk).



## Unsolicited telephone calls

In the past, some of our shareholders have received unsolicited telephone calls or correspondence concerning investment matters from organisations or persons claiming or implying that they have some connection with the Company. We advise our shareholders to be wary of any unsolicited telephone calls, advice or correspondence concerning investment matters from organisations or persons claiming or implying that they have some connection with the Company. These are typically from overseas-based “brokers” who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in UK or overseas investments. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free annual and/or other reports on the Company.

If you receive any unsolicited investment advice:

- ▶ Always ensure the firm is authorised by the Financial Conduct Authority (FCA), is on the FCA Register and is allowed to provide financial advice before handing over your money. You can check if a firm is on the FCA’s Register via <https://register.fca.org.uk>.
- ▶ Ask the caller for their name and telephone number and inform them you will call them back. Then check their identity to ensure that they are from the firm they say they are from by calling the firm using the contact number listed on the FCA Register. If there are no contact details on the FCA Register or you are told that they are out of date, or if you have any other doubts, call the FCA Consumer Helpline on 0800 111 6768 (freephone) or 0300 500 8082 from the UK, or +44 207 066 1000 from abroad. Calls using next generation text relay, please call (18001) 0207 066 1000.
- ▶ If you are approached about a share scam, please visit the FCA’s ScamSmart website at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) where you can access information about the various types of scam, including share and boiler room fraud, see the FCA’s Warning List and reports on firms about whom consumers have expressed concerns. Alternatively, you can call the FCA Consumer Helpline (see above). If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.
- ▶ You should also report any approach to Action Fraud, which is the UK’s national fraud reporting centre, at [www.actionfraud.police.uk](http://www.actionfraud.police.uk), or by calling 0300 123 2040.

## American Depository Receipts (ADRs)

An American Depository Receipt (ADR) is a negotiable instrument issued by a depository bank that evidences ownership of shares in a corporation organised outside the US. Each ADR represents a specific number of underlying shares in the non-US company, on deposit with a custodian in the applicable home market.

ADRs are generally treated as US domestic securities. They are quoted and traded in US Dollars and are subject to the trading and settlement procedures of the market in which they trade.

## Balfour Beatty’s ADR programme details

Symbol: BAFYY

ADR: Ordinary Share Ratio: 1:2

CUSIP: 05845R306

ADR ISIN: US05845R3066

Underlying ISIN: GB0000961622

Depository Bank: JP Morgan Chase Bank N.A.

Country: United Kingdom

Balfour Beatty’s ADR Depository Bank is JP Morgan Chase N.A. For all ADR-related enquiries, investors can contact JP Morgan via telephone, in writing or email as follows:

### Telephone:

Toll free within the United States at: 1-800-990-1135 or locally at 651-306-4383.

JP Morgan representatives are available from 7.00am to 7.00pm Central Time, Monday to Friday.

### In writing:

#### Mail

JP Morgan Shareholder Services  
P.O Box 64504  
St. Paul, Minnesota 55164-0504

#### Overnight Mail

JP Morgan Chase Bank N.A.  
1110 Centre Pointe Curve, Suite 101  
Mendota Heights MN 55120-4100

#### Contact Online

[jpmorgan.adr@eq-us.com](mailto:jpmorgan.adr@eq-us.com)



### Gifting shares to your family or to charity

To transfer shares to another member of your family as a gift, please ask the Registrar for a Balfour Beatty gift transfer form. Alternatively, if you only have a small number of shares whose value makes it uneconomic to sell them, you may wish to consider donating them to the share donation charity ShareGift (registered charity no. 1052686), whose work Balfour Beatty supports. Any shares you donate to ShareGift will be aggregated and sold when possible, and the proceeds will be donated to a wide range of other UK charities. Since ShareGift was launched, over £47m has been given to more than 3,650 charities. The relevant share transfer form may be obtained from the Registrar. For more information visit [www.sharegift.org](http://www.sharegift.org).

### Share dealing services

In addition to share dealing services provided by UK banks and brokers, Equiniti provide a telephone and online share dealing service for UK resident shareholders. To use this service, telephone 023456 037037 from within the UK. Calls are charged at the standard geographic rate and will vary by provider. Lines are open Monday to Friday 8.00 am to 4.30 pm, UK time, excluding public holidays in England and Wales. Alternatively, you can log on to [www.equiniti.com](http://www.equiniti.com). Equiniti Limited is authorised and regulated by the Financial Conduct Authority.

### London Stock Exchange Codes

The London Stock Exchange Daily Official List (SEDOL) code is: 0096162.

The London Stock Exchange ticker code is: BBY.

### Capital gains tax (CGT)

For CGT purposes the market value on 31 March 1982 of Balfour Beatty plc's ordinary shares of 50p each was 267.6p per share. This has been adjusted for the 1 for 5 rights issue in June 1992, the 2 for 11 rights issue in September 1996 and the 3 for 7 rights issue in October 2009 and assumes that all rights have been taken up.

### Consolidated tax vouchers

Balfour Beatty issues a consolidated tax voucher annually to all shareholders who have their dividends paid direct to their bank accounts. If you would prefer to receive a tax voucher at each dividend payment date rather than annually, please contact the Registrar. A copy of the consolidated tax voucher may be downloaded from the Share Portal at [www.shareview.co.uk](http://www.shareview.co.uk).

### Enquiries

Enquiries relating to Balfour Beatty's results, business and financial position should be made in writing to the Corporate Communications Department at the address shown below or by email to [info@balfourbeatty.com](mailto:info@balfourbeatty.com).

Balfour Beatty Registered Office: 5 Churchill Place, Canary Wharf, London E14 5HU

Registered in England and Wales, registered number 395826

### Forward-looking statements

This report, including information included or incorporated by reference in it, may include statements that are or may be forward-looking statements, beliefs or opinions, including statements with respect to Balfour Beatty's business, financial condition and results of operations. All statements other than statements of historical facts included in this document may be forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "projects", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by Balfour Beatty in good faith based on the information available to it at the date of this report and reflect the beliefs and expectations of Balfour Beatty. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK and US Government policies, spending and procurement methodologies, failure in Balfour Beatty's health, safety or environmental policies and those factors set out under Principal Risks on pages 96 to 103 of this report.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved, and projections are not guarantees of future performance. Forward-looking statements speak only as at the date of this report and Balfour Beatty and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this report. No statement in this report is intended to be, or intended to be construed as, a profit forecast or profit estimate or to be interpreted to mean that Balfour Beatty plc's earnings per share for the current or future financial years will necessarily match or exceed the historical earnings per share for Balfour Beatty plc. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

Find out more about our investor relations at: [www.balfourbeatty.com/investors](http://www.balfourbeatty.com/investors)





## MORE INFORMATION

### Online annual report

For a summary of our 2023 Annual Report and Accounts visit:

[ar23.balfourbeatty.com](https://ar23.balfourbeatty.com)

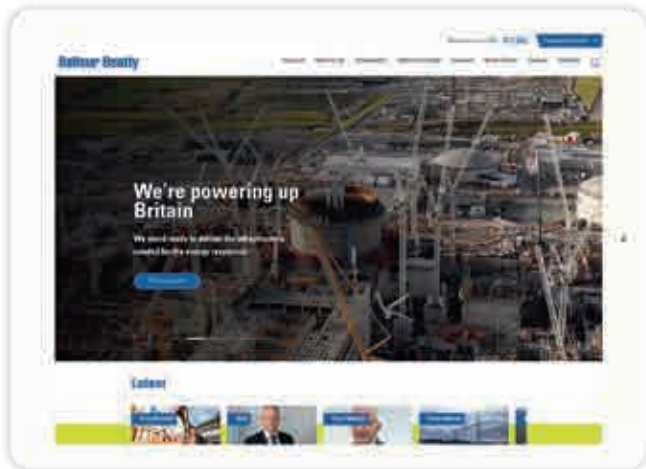


**SCAN TO VIEW THE ONLINE SUMMARY REPORT**

### Investor website

For more information about investor relations visit:

[balfourbeatty.com/investors](https://balfourbeatty.com/investors)



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