Balfour Beatty

Our Blueprint

Balfour Beatty's
Sustainability
Strategy

**LEAN, EXPERT,
TRUSTED, SAFE**

Version 2.0

Foreword

Our ambition is to continue to position sustainability at the heart of what we do and in the solutions we provide to our clients.

Our Blueprint seeks to further embed sustainability throughout Balfour Beatty's operations by providing a robust framework. It captures the actions we need to take to ensure we remain viable in the long-term and is consistent with our value proposition. It builds on the lessons we have learnt as our Blueprint strategy has evolved.

By focusing on the issues that matter to our customers, wider society, and to us, all parts of the Group can embrace this framework.

We will use this Blueprint to measure our performance and drive success in a rapidly changing economic and social environment.

Leo Quinn
Chief Executive

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Purpose

This framework sets out the attributes of a well-run and sustainable Balfour Beatty.

Its purpose is to guide the priorities of our strategic business units and to create a common language and set of measures as a useful and practical basis for monitoring progress against our objectives.

The Blueprint is fully aligned to our Build to Last business strategy and articulates how we will deliver long-term economic, social and environmental outcomes for our customers, society and our shareholders.

The framework:

– Is based on the three pillars of Profitable Markets (economic), Healthy Communities (social) and Environmental Limits (environmental).

– Recognises that the sustainability priorities of our customers differ between geographies and therefore permits each strategic business unit to set its own targets for the various measures, except to the extent that such targets are prescribed elsewhere, for example by law or in relation to Zero Harm and business integrity.

– Is supported by clear guidance on metrics through a reporting handbook.

Build to Last

Lean
Expert
Trusted
Safe

Investors People Customers All Communities

Our Framework

Delivering sustainable outcomes
against our Build to Last objectives

Our Measures

3 pillars, 4 objectives, 22 measures

Our framework is based on three pillars, which follow the classical three-dimensional sustainability model: economic, social and environmental. In our interpretation of this model they are named Profitable Markets, Healthy Communities and Environmental Limits.

The framework fully aligns with our four Build to Last objectives: Lean, Expert, Trusted and Safe. In this way our vision for sustainability links directly to our strategic business objectives and supports our vision of becoming a leading global infrastructure company.

Within the framework, we have identified 22 measures that characterise success.

Target setting

Whilst the measures are prescribed by Group (see sections from page 12 onwards), the targets are set by the local strategic business units and should reflect their aspirations and those of their customers – except for the case of ethics, where the focus is on reporting.

What we measure

In the following tables the key to the "Reporting" column is as follows:

M — Mandatory

O — Optional

C — Collated centrally

Lean

We seek to continually improve the value we deliver to customers through a relentless focus on resource efficiency and best practice in supply chain management.

MEASURE	GOAL	WHAT WE MEASURE	GOVERNANCE AND ASSURANCE	REPORTING
DRIVING EFFICIENCIES	— To manage resources efficiently, reducing cost through minimising consumption and waste, along with developing leaner practices and processes to make us more productive.	— Savings from resource efficiency and management measures	— Self-assessment	M
REALISING SUPPLY CHAIN VALUE	— To have a supply chain that offers sustainable best value services, products and materials to our customers	— Proportion of our supply chain by value that we actively work with on delivering sustainability outcomes	— Business supply chain policies — Internal audit — Self-assessment	M
SCOPE 1 & 2 CARBON EMISSIONS[1]	— To ensure that we are as carbon efficient as practical	— Scope 1 & 2 carbon emissions per £m revenue	— Greenhouse gas reporting — Verification — Internal audit — External audit	M
SCOPE 3 CARBON EMISSIONS[2]	— To work with our supply chain and project teams to reduce our scope 3 emissions.	— Scope 3 carbon emissions per £m revenue	— Self-assessment	O
RESOURCE EFFICIENCY	— To minimise the amount of materials we use and waste we generate by considering material use holistically	— Tonnage of waste generated per £m revenue — Tonnage of waste sent to landfill per £m revenue — Tonnage of reused materials per £m revenue — % of major materials responsibly sourced	— Environmental Management System — Internal audit — External audit	O
WATER	— We measure water consumption and ensure potable water is used efficiently	— Cubic metres of potable water use in per £m revenue	— Environmental Management System — External audit	O

M — Mandatory

O — Optional

C — Collated centrally

[1] Scope 1 and 2 emissions are defined as all direct Greenhouse Gas (GHG) emissions from sources controlled by Balfour Beatty and indirect emissions from the consumption of purchased electricity, heat or steam respectively.

[2] Scope 3 emissions are other indirect GHG emissions not covered in Scope 2

Expert

We offer resilient engineering, design and delivery solutions and collaborate with partners to bring innovative sustainable solutions to the market.

Our ability to attract, retain and develop employees is a measure of our commitment to invest in our people.

M — Mandatory

O — Optional

C — Collated centrally

MEASURE	GOAL	WHAT WE MEASURE	GOVERNANCE AND ASSURANCE	REPORTING
INFLUENCING THE MARKET	— To bring more sustainable solutions to market and our customers through collaboration with others and producing thought leading content	— Number of industry leading or technical bodies on which Balfour Beatty has employee representatives. — Number of major customers engaged on sustainability	— Sustainability assessment	O
MY CONTRIBUTION [3]	— To engage with our employees identify and develop value creating ideas	— Number of my contribution ideas implemented	— My contribution programme — Self-assessment	C
DEVELOPING SKILLS AND TALENT	— To offer industry-leading career and development opportunities for interns, apprentices, graduates, and other employees and as a result improve retention	— Employee retention rate — Number of training days delivered — Number of interns, graduates and apprentices on recognised programmes	— Self-assessment	M O
RESILIENT INFRASTRUCTURE	— To design, build and operate assets that are resilient to the future impacts of climate change and other environmental stresses over their design lifespan and consider future resilience in our natural ecosystems	— Number of projects with climate change adaptation plans. — Number projects with ecological enhancements.	— Self-assessment	O
GREEN INFRASTRUCTURE	— We work with our customers to build projects that meet the highest sustainability standards	— Total value of projects that relate to green infrastructure — Number of projects with green certifications	— Self-assessment	O

[3] My contribution is an internal open platform for submitting business improvement ideas

Trusted

We aim to deliver on our promises to customers and improve the value we offer by investing in local communities and agreeing sustainability targets with our customers.

Our business integrity programme is designed to help embed ethical behaviour and integrity across our business.

M — Mandatory

O — Optional

C — Collated centrally

MEASURE	GOAL	WHAT WE MEASURE	GOVERNANCE AND ASSURANCE	REPORTING
CUSTOMER EXPERIENCE	— To actively listen to our customers so that we deliver what they characterise as 'success'	— Proportion of our projects by value and number that operate a customer service programme, such as MAP	— Customer service programme — Self-assessment	**C**
BUSINESS INTEGRITY	— To operate with integrity at all times regardless of who we work with or where we work	— Completion and success rates for the Code of Conduct assessment and e-learning modules — Number of reported "Speak Up" cases, substantiation rates and time taken to investigate	— Code of Conduct — Code of Conduct training — Supplier Code of Conduct — Supplier due diligence — Internal audit — Annual compliance declaration — Central gifts and hospitality register	**C**
DELIVERING SUSTAINABILITY COMMITMENTS	— To deliver the optimal social and environmental performance we establish the sustainability objectives for the project prior to mobilisation	— Proportion of our projects by value and number where we have: 1. Agreed sustainability objectives 2. Delivered sustainability commitments	— Self-assessment	**O**
SOCIAL VALUE[4]	— To create value by engaging local communities, enhancing skills, offering employment, supporting local businesses and contributing to environmental wellbeing	— Proportion of our projects that have a community engagement plan / Involved[5] plan	— Self-assessment	**M**
EMPLOYEE ENGAGEMENT	— Balfour Beatty is the employer of choice for its employees	— Percentage of employees that confirm that they are 'engaged' in the annual employee survey	— Annual employee survey — Self-assessment	**C**
DIVERSITY & INCLUSION	— To focus on diversity and inclusion activities as a means to improve business performance	— Diversity targets set, relevant to territory	— Diversity & Inclusion / Affirmative Action Plans	**O**
RECOGNITION	— To benchmark our sustainability performance independently	— CDP score — Sustainability awards	— External CDP performance score	**M**

4 "Social Value" covers our community investment/engagement activities and environmental wellbeing   5 "Involved" is Balfour Beatty's community investment programme.

Safe

Health and safety standards, occupational health and environmental compliance are all manifestations of working safely.

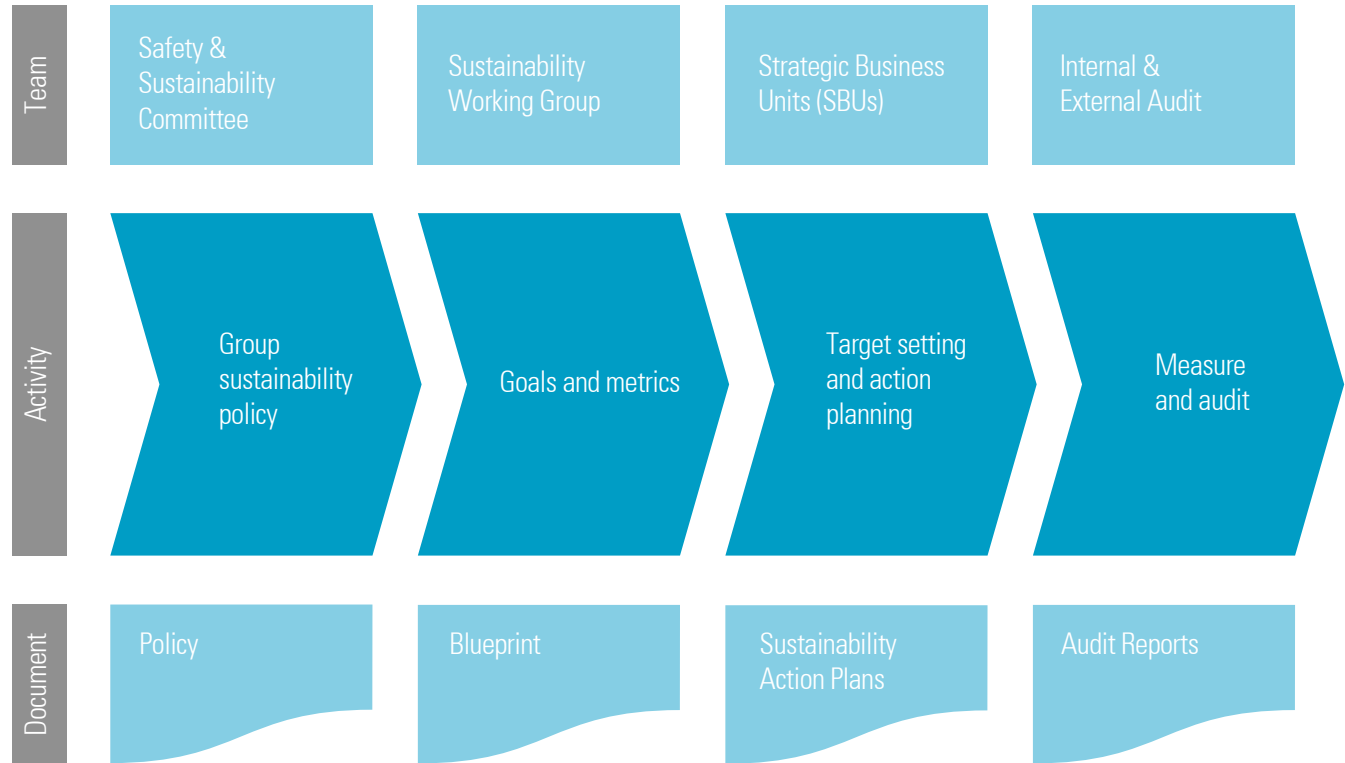| MEASURE	GOAL	WHAT WE MEASURE	GOVERNANCE AND ASSURANCE	REPORTING
ZERO HARM	– Zero Harm is a permanent reality within the Group and Balfour Beatty continues to be a sector leader in Health and Safety	– Lost Time Rate – Accident Frequency Rate > 3 day injuries – Accident Frequency Rate > 7 day injuries – High Potential Incident – Near Misses – Observations – Executive site tours – Making Safety Personal training – Environmental incidents	– Zero Harm action plan – Zero Harm event calendar – Monthly Group Health, Safety, Environment & Sustainability report – Internal audit – External audits	C
OCCUPATIONAL HEALTH	– To take pro-active steps to protect our people from suffering harm to health as a result of working with/for us	– Cases of work related ill health – Non-conformances (Controls) during audits – Monthly monitoring of health surveillance and assessment activity against planned programme – Observations – Executive site tours	– Quarterly reports on % achieved. – Audit and inspection reports	O
WELLBEING	– To be recognised as an employer that actively supports and promotes a healthy lifestyle for its people	– Number of healthy lifestyle campaigns run by the business	– Self-assessment	O
ENVIRONMENTAL COMPLIANCE	– To implement best practice in environmental protection and continually improve performance	– Environmental fines, prosecutions, and warnings	– Environmental Management System – Internal & external audit – Self-assessment	M

M — Mandatory

O — Optional

C — Collated centrally

Governance & delivery

Developing, managing and
reviewing our performance

Governance

Governance for the development, delivery, measurement and review of The Blueprint is embedded throughout our organisation.

Team	Safety & Sustainability Committee	Sustainability Working Group	Strategic Business Units (SBUs)	Internal & External Audit
Activity	Group sustainability policy	Goals and metrics	Target setting and action planning	Measure and audit
Document	Policy	Blueprint	Sustainability Action Plans	Audit Reports

Balfour Beatty has a solid governance process that underpins everything it does to ensure that the business is being managed and run properly, effectively and ethically.

The Safety and Sustainability Committee sets out our Sustainability Policy and monitors progress against Our Blueprint. This ensures governance and accountability for delivery and performance at board level.

Implementation of the Group sustainability policy is delegated to the Sustainability Working Group, which is responsible for the preparation of the Blueprint and cascading it through the business.

Each strategic business unit is responsible for developing its own Sustainability Action Plan that communicates its priorities, sets out its targets, and describes the arrangements it is putting in place in order to deliver on them. This is updated annually.

Internal audit teams review performance against the Blueprint whilst external auditors are engaged by Balfour Beatty plc to provide limited assurance over selected greenhouse gas performance data for annual reporting purposes.

Making it happen

Allocating responsibility

The managing director of the strategic business unit (SBU) shall allocate responsibility for performance and for data collection respectively against each of the measures. However, this does not diminish the responsibility of each line manager for sustainability within his or her area and the responsibility of every employee.

Action planning

The Blueprint sets a framework for each of the SBUs to improve their sustainability performance.

Every SBU shall prepare a sustainability action plan that communicates their priorities, sets out their targets, and describes the arrangements they are putting in place in order to deliver on them. Every action shall have a planned start and finish date.

As part of the action planning process, SBUs shall identify relevant sustainability legislation, e.g. on greenhouse gas emissions, and commitments made via industry bodies. The action plan shall be updated annually. The metrics reported by the SBU will be consolidated annually and featured on the Group's Sustainability Dashboard. Certain metrics will also appear in the Annual Report and Accounts.

Planning at project level

Every business shall ensure that it has appropriate arrangements in place to perform against The Blueprint throughout its activities. This may be through a combination of an environmental management plan and a community engagement/Involved Plan, an integrated sustainability management plan or other documented means.

OUR GOALS AND METRICS
OUR SUSTAINABILITY BLUEPRINT

SUSTAINABILITY ACTION PLAN
FOR THE STRATEGIC BUSINESS UNIT

ENVIRONMENTAL MANAGEMENT PLAN **+** COMMUNITY ENGAGEMENT PLAN **OR** SUSTAINABILITY MANAGEMENT PLAN

Risk assessment

In line with the Group's risk framework, every SBU shall identify, assess and manage the risks and opportunities associated with sustainability. These may include:

– the opportunity to enrich the dialogue we have with our customers by being able to discuss sustainability in an informed way

– the risk of obsolescence associated with inadequate horizon scanning

– the risk of loss of business or costs through being inefficient

– the opportunity to gain business in new geographies as a consequence of our strong social performance record

– the opportunity to engage and enthuse our staff

Training and competence

Every strategic business unit shall ensure that its customer facing teams are sufficiently knowledgeable to hold an informed discussion on sustainability with their peers within its customer organisations.

Each strategic business unit shall develop a training programme to familiarise data collectors with the metrics and processes.

Data assurance

The integrity of our data is fundamental to the success of our sustainability journey. We can only expect our people to take action if our strategy is meaningful, our data is reliable and we communicate effectively.

Each SBU must develop robust processes for data collection. The collection process must be subject to one or more of the following checks:

– Audit by the internal audit department

– External assurance by a specialist sustainability auditor in the case of GHG emissions

– Internal sustainability assessment either led or coordinated by the Group Health, Safety, Environment and Sustainability function

Self assessment

Progress against the Blueprint and action plan should be reviewed by the SBU's senior management team at least annually.

The internal self-assessment against the action plan should be quantitative where possible, i.e. based on the observed metrics versus targets.

Assessment against the Blueprint shall be based on the five point evaluation scale that forms part of a dashboard for assessing progress on the implementation and embedment of sustainability.

Sharing best practice

All businesses shall make available case studies of successful implementation on 360, our internal knowledge management portal. Such case studies support work winning and the dissemination of more efficient and effective operational approaches.

Application

All wholly owned strategic business units are expected to implement this Blueprint, with the exception of newly acquired businesses, which will be subject to assessment under this framework 12 months after the date on which they join the Group.

The scorecard will apply to all jointly owned strategic business units, as follows:

– Wholly owned subsidiaries – applies in full

– Ventures with ≥ 50% share – applies in full

– Ventures where the strategic business unit has operational control – applies in full for Scope 1 and 2 and Resource Efficiency and any metrics they choose to comply with.

– Ventures with ≤ 50% share and without operational control does not apply

WHO WE ENGAGE WITH	WHY WE ENGAGE	PRINCIPAL CHANNELS
CUSTOMERS	– To understand our customers' evolving needs, develop enhanced value solutions, and receive feedback on our performance	– Collaboration with customers to agree project-specific sustainability deliverables – Customer service programmes (e.g. MAP) – Bespoke customers attitude and satisfaction surveys – Sustainability dialogue with key accounts
SUPPLY CHAIN	– To understand the capability and needs of our suppliers and to work in partnership with them to innovate, add value and reduce the risk of unethical practices – To ensure we work with suppliers whose standards are consistent with our own, and who respect our principles – To improve sustainability outcomes for our customers	– Supplier Code of Conduct – Supply Chain School (UK) – UK Sustainable Procurement Policy and Guidance – Supplier sustainability workshops – "Meet Balfour Beatty" days – Supplier Audits
COMMUNITIES	– To make a lasting positive impact on the communities in which we operate	– Communication with communities under the Considerate Contractor Scheme (UK) – Local employment initiatives – Partnerships with schools, colleges and universities
EMPLOYEES	– To keep our employees informed about the future direction of our business and to recruit their assistance in creating a safe and productive working environment	– The Blueprint – Code of Conduct – Annual graduate conference – Employee briefings – Build to Last newsletter – Yammer and 360 stories – Training courses including sustainability e-learning – Employee satisfaction surveys
MEDIA	– We treat them as a separate stakeholder body because they are an important channel for communicating with our other stakeholder cohorts	– Business, national, environmental, digital and trade press – Social media, including LinkedIn, Facebook and Twitter
INDUSTRY	– To positively influence our industry	– Membership of professional bodies and industry associations, – including IEMA, Build UK Environment Group, the Supply Chain School, US Green Building Council, UK Green Building Council, Singapore Green Building Council, Construction Industry Council Business Environment Council and the Green Council.
NON-GOVERNMENT ORGANISATIONS (NGOS)	– To obtain expert advice on specialist topics – To work in partnership and support local needs	– Partnerships with NGOs
GOVERNMENT & REGULATORS	– To understand the issues that may impact our business, particularly those that affect our customers and the communities in which we operate	– Active public affairs engaging with the UK politicians and US Government Involvement in thought leadership programmes,
INVESTORS	– To provide them with the information they need to make well-informed decisions	– Meetings, investor days, roadshows and conferences

Balfour Beatty