



Narrowing the Gap

Gender Pay Gap 2019

March 2020

Balfour Beatty



Foreword



Since our last Gender Pay Gap Report, we have continued to work hard to implement measures to make Balfour Beatty a more inclusive place to work for everyone. I am pleased that this hard work is beginning to pay off and that I can share a number of improvements this year – not just in our average pay gap, but also in a range of other important metrics. For example, our retention of women has improved and our employee surveys show that engagement has increased. All of the areas we measure show that we are making steady progress, as is outlined in this report. I am particularly proud of feedback from our workforce which shows that our determined efforts to create a more inclusive culture are recognised and supported. This is critically important if we are to become a more diverse business.

While the progress is positive, we do still have a significant gender pay gap. As in previous years, our data shows that this is due to the fact that the majority of our most senior roles are held by men. These roles also hold the greatest bonus opportunities. We understand that our gender pay gap will be skewed until we have a better gender balance at the top of our business. While this is not something we can address overnight, we are confident that continuing to develop the recruitment pipeline and support women within the business in moving up the ladder will help us to address the core issues behind our pay gap.

Our figures are moving in the right direction, but we recognise that these are the first steps in a long journey. The scale of the challenge should not be underestimated. We are acutely aware that the gender pay gap in the construction industry is significantly higher than the national average and that construction is one of the worst performing industries on this metric. The causes of the gender pay gap are complex and deeply entrenched. As a business, we are continuing our outreach work with schools and colleges, with over 280 STEM ambassadors working to encourage more young people, especially women, into the sector. However, tackling this issue is far outside the power of one company alone. There must be a collective effort to encourage more women into the sector. Unfortunately, there are few quick fixes, but we are calling on others across the industry to work with us in tackling this problem head on.

Improving gender balance at all levels of our business, thereby reducing the gender pay gap, is part of our wider commitment to create a more diverse and inclusive Balfour Beatty. We are determined to drive improvement through our structured, strategic approach. Diversity delivers results. Closing the gender pay gap is not just the right thing to do: it's the right path to a stronger, more sustainable business and, indeed, society.

Leo Quinn
Group Chief Executive

Understanding and reducing our pay gap

While Balfour Beatty still has a significant gender pay gap, we are pleased that the measures we are implementing through our Diversity and Inclusion Action Plan are beginning to lead to a narrowing of our gap. These figures show an improvement in all of the gender pay data we record, compared to last year.

However, while we are pleased that we are making positive progress, we know that there is still much work to be done. We are clear that we must maintain momentum. That requires us to have a thorough understanding of the reasons behind our gender pay gap, a clear plan for how we will improve it, and evidence of what is working well – and not so well – so we can refine and improve the measures we are implementing.

In previous years, we have outlined how we have implemented a range of measures including considering our attraction approach to ensure it is inclusive; proactively sourcing hard-to-find individuals; implementing a returners programme for those coming back to the workplace after a break; and identifying and developing talented women to help them progress into more senior roles within the company. These programmes include every level and every part of the business, to ensure we are taking a sustained, systemic approach.

Key points of note in 2019 have been:

- A key reason for Balfour Beatty's gender pay gap remains an imbalance of male and female colleagues across the organisation, with a lower percentage of women in senior, higher paid roles. We are committed to improving our culture to ensure we are able to recruit and retain more women at all levels across our business. We believe that this will reduce our gender pay gap over the coming years. Increasing female representation in senior leadership roles - and indeed at every level across the business - and ensuring that we develop and support our future leaders has therefore been and will remain a key focus. Indeed, we were pleased to welcome a number of senior female operational appointments in 2019, as well as the addition of a second female Non Executive Director to our Board.

We are implementing a wide range of targeted, proactive initiatives, for example:

- 2019 saw our second successful "Returners"¹ cohort. This is our 21-week paid programme for people who have taken an extended break of more than two years from their career and are looking for a route back into employment. Opportunities are UK-wide and Balfour Beatty has project sites in locations including London, Cumbria, Kent, the Midlands, Manchester, Gloucester, Edinburgh and Glasgow. Our aim is to offer successful candidates permanent roles. We are planning for our third Returners cohort in 2020.
- We were proud to be shortlisted for the Working Mums Career Progression Award, recognising our work to help women progress their careers, our reverse mentoring launch and the success of our Returners Programme.
- In order to build understanding about diversity and inclusion (D&I) and to increase awareness of the barriers under-represented groups face, we launched a UK Executive Committee Reverse Mentoring programme in 2019 (see separate case study).
- Female participation in our talent development programmes is at levels above the proportion of women in the organisation. For example, our "Future Leaders Programme" is 33% female for the current cohort, while female participation across our "Aspiring Leader Programmes" is 23%. This is positive action to support career progression.
- In 2019, each UK Executive Committee member began to mentor at least one female from our workforce and each became the mentee of someone from an underrepresented group.
- Each Strategic Business Unit has a Diversity and Inclusion Action Plan and working groups in place to drive progress.

Notable examples of progress we have made include:

- There is now a Diversity and Inclusion Council spanning our Rail and Utilities business, which aims to drive focus and build an inclusive culture. They have put in place over 40 D&I Ambassadors who are being trained during 2020.
- Our Major Projects and Highways businesses maintained their strong focus on D&I by hosting their second "Inspiring Women" Conference. They have also set up focus groups on 4 priority areas: Site Culture; Flexible Working; Support for Parental Leave; and Inspiring Women.
- More than 200 women have been through our Empower career development programme. A further five cohorts are planned for 2020.
- We have introduced an "ET+" suite of career development options to support the retention of Emerging Talent expertise upon completion of their development programme. This is a key part of our programme to retain and support talented women.
- We are determined to make sustainable change and to deliver a genuinely more diverse and inclusive business. For example, because many of the women we are recruiting are entering at junior levels, the reduction of our gender pay gap is slower than it would be otherwise. We are pleased that we have made considerable strides on improving our pipeline of talented women in the past couple of years. The increase in the number of women being recruited into graduate and apprentice roles will strengthen our pipeline of talented women who are able to move into more senior roles within the business. Our 2019 new staff intake was c. 25% female overall and:
 - Apprentices – 18% female
 - Trainees – 23% female
 - Graduates – 29% female

It takes time to build a pipeline. Balfour Beatty, in common with the rest of the construction and infrastructure industry and indeed with many other sectors which rely on engineering skills, struggle to recruit as many women as men into technical roles. It is these roles which attract a pay premium in the market and can often

lead to promotion to more senior levels. Currently only 18% of engineering graduates in the UK are women², which limits our ability to recruit more skilled women.

It makes uncomfortable reading for those of us in the construction and infrastructure industry to see that it remained one of the worst performing across the economy in terms of its gender pay gap last year. Indeed, this is not just a UK issue. The same issues exist worldwide in the construction and infrastructure industry. We are working, both as Balfour Beatty and via a range of industry bodies, to begin to address this and to make sure that women are both aware of the range of exciting, fulfilling roles available in the construction industry, and that the industry is a welcoming, inclusive place to work.



Case study: Chloe Tucknott – flexible working

"I've been with Balfour Beatty for over ten years in a number of different roles, including as a Business Development Director on the Connect Plus Services contract as part of the Senior Leadership Team.

After maternity leave, I worked 3 days a week for the first 6 months and recently moved up to 4 days a week. I like to be visible, so I don't like to work from home very much but there is flexibility in my role if I need to do so to balance home commitments. Even before having my son, I never really worked in a 9-5 pattern - as technology has evolved it's meant that you can be more agile about how you work as a leader in the business in order to achieve results.

I'm the first one in the Senior Leadership Team to work part time, so it's been a bit of a learning curve for everyone. Colleagues have had to be more aware of things like when they schedule meetings and so on, but I think that's healthy for everyone across the business. The HR team has been exceptional in terms of suggesting options and making sure that my working pattern works for me, and my Managing Director and colleagues have also been very supportive. I've really been given the sense that everyone wants to make this work."

¹ <https://www.balfourbeattycareers.com/returners-programme/>

² Office for National Statistics Labour Force Survey, 2018



Case study: Mark Bullock – Chief Executive, Rail and Utilities – Executive Committee Reverse Mentoring Programme

"I've been reverse-mentored for the past six months by a female colleague from a different part of the business. As well as being a woman, my mentor is also from a multi-cultural background, so she was able to give me a range of really useful insights.

I've always been really supportive of bringing more women into the sector, but having my mentor share her experiences with me has helped me see things through the eyes of some of my female colleagues. For instance, I've never been aware of any specific discrimination. I've always known that that doesn't mean it doesn't happen – people aren't likely to do it with me around because I'm the boss and they know I'd challenge them on it. I found those experiences she shared with me and the barriers or obstacles she'd come across really eye-opening.

My conclusions have been that we have to create awareness that there's an issue and make sure we educate people about it. We need to encourage dialogue and get people comfortable talking about the issues. Part of that is creating safe spaces where it's ok to talk about it. And we have to call out inappropriate behaviour wherever we see it. It's really important to not let anything slide.

The programme has been really valuable, both in terms of my own self-awareness and in helping shape how I lead my business. For example, we've always wrestled with 'diversity' as a senior team. I think we kind of over-focussed on how to increase diversity and almost forgot about the 'inclusion' bit. My mentor has helped me think outside the box a bit more. So rather than worrying about not wanting to sideline any of the people from my team so I can make it more diverse, I've invited additional people to the executive meetings to make them more balanced. My exec meetings are now gender balanced, which has really changed the dynamic and has been great for the business. It's also been a useful experience for those who now attend and are being supported to the next level. It isn't rocket science, but being challenged and encouraged by my mentor helped me realise that if I work on the inclusive culture, diversity follows – and we're then more likely to retain the people we bring in."

Defining the terminology

Since April 2017, all organisations that employ over 250 employees have been required to report annually on their gender pay gap. The gender pay gap provides a snapshot of the gender balance within an organisation. It measures the difference between the average earnings of all male and female employees, regardless of their role or seniority.

Median pay gap

The median pay gap is the pay difference between the middle-ranking woman and the middle-ranking man.

If you place all the men and women working at a company into two lines in order of salary, the median pay gap will be the difference in salary between the woman in the middle of her line and the man in the middle of his.

Mean pay gap

The mean pay gap is the difference between a company's total wage spend-per-woman and its total spend-per-man.

The number is worked out by dividing the total wage bill for each by the number of men and women employed by the organisation.

Gender pay gap and equal pay

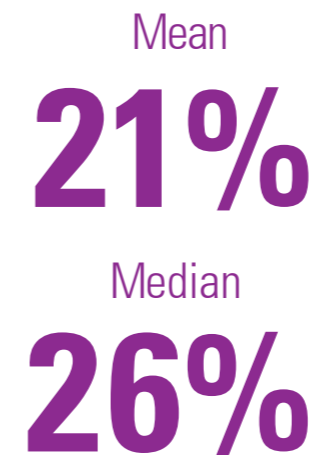
The gender pay gap and equal pay are often confused as being the same problem.

The gender pay gap is different to equal pay which is the legal requirement that men and women are paid equally for doing the same job under the Equality Act 2010. Balfour Beatty pays males and females the same amount for doing the same work.

A company's gender pay gap can also be caused by other things, for example fewer women in senior or highly-paid roles or more women in part-time jobs. In Balfour Beatty's case, our gender pay gap is largely because many of the most senior roles in the company are held by men, rather than because women are paid less for the same jobs. We are undertaking a wide range of targeted initiatives to address this uneven spread of men and women across the organisation.

Balfour Beatty Group Employment Limited gender pay data

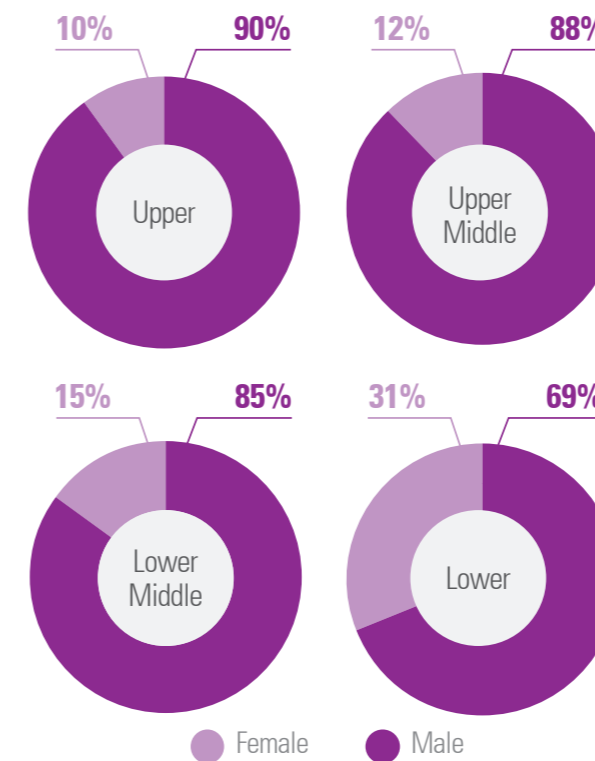
Mean and median gender pay gap



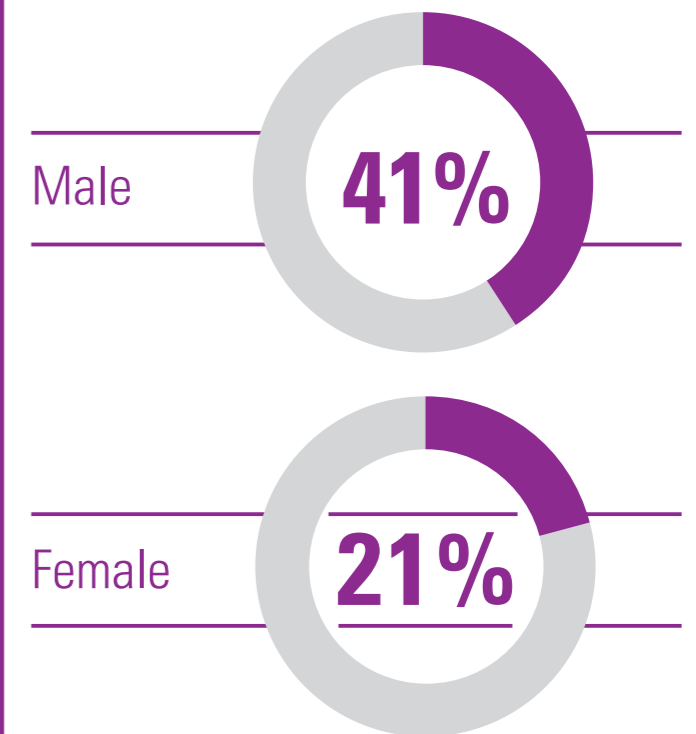
Mean and median gender bonus gap



Proportion of men and women in each quartile of the organisation's pay structure



Proportion of employees receiving a bonus payment



The Executive Committee Reverse Mentoring programme

In 2019, Balfour Beatty launched a Reverse Mentoring Programme between our UK Executive Committee and employees from under-represented groups, including those from a range of ethnic backgrounds, women, LGBT+ and employees with ability impairments.

As with traditional mentoring, Reverse Mentoring is about developing a powerful relationship based on a high level of trust. At its most effective, this is a two-way, mutual, relationship that develops through a number of conversations, allowing both Mentor and Mentee to seek advice and guidance from each other.

The aim of the programme is to build understanding about the barriers and experiences of people from these groups by connecting some of those employees directly to our Executive Team in order to ensure that they continue to lead the business to become more diverse and inclusive.

Typically each Mentor and Mentee pairing meet around six times – once a month, or with a maximum of six weeks between each session so that momentum is maintained. However, each relationship is different; some may be longer and some may be shorter.

We ensure that both Mentor and Mentee are supported by the Talent and Development Team throughout, and that both understand the boundaries and confidentiality of the mentoring relationship.

By the time both parties agree that they have completed the sessions, they should each take away some valuable insights and developed a fresh perspective. The feedback from the first cohort has been positive, with most agreeing that it has been an important, enriching experience.

Case study: Antje Budge - Balfour Beatty Returners Programme

"I took a nine-year career break to raise my children. Once I had decided that I was ready to return to Engineering, I found it hard to find a part-time role which both looked exciting, but would also let me to combine family commitments with continuing my career. I saw Balfour Beatty's Returners Programme advertised on the Women's Engineering Society newsletter and decided to give it a go.

Coming back to work after a long period can be a bit unnerving. You're very aware of the big gap on your CV. But you get a lot

of support through the Returners Programme. I had coaching workshops and a mentor to help guide me through. And I was given training which made the transition back to work as smooth as it could be.

The Returners Programme gave me the springboard I needed to re-enter the sector. I have a challenging, fulfilling role as a Design Coordinator within the UK Construction Services business making sure that projects are delivered in line with the client's requirements. It's been challenging at times, but overall it's been a really positive experience."

Conclusion

We are pleased that our action plan is beginning to yield results and that we are slowly heading in the right direction - but we know that a lot more work needs to be done.

This narrative outlines that we are committed to dealing with the root causes of the gender pay gap and that we have continued to embed targeted measures across our business in 2019 to ensure meaningful change.

Businesses must be prepared to act to ensure the construction workforce looks significantly different within the next few years and we are determined to do just that.

Case study: Sophie Cutler - Apprentice

"I work on the HS2 scheme as a civil engineering apprentice. I joined Balfour Beatty straight from school in 2018. I am also studying for a civil engineering degree at the University of Wolverhampton on a part-time basis, alongside work.

Balancing a job and studies can be challenging at times, but my line manager has been really supportive. Both my mentor and line manager also did part-time degrees, which really helps as they understand what I'm doing.

The support so far from the business has been great. They let me balance the two things in a way that suits me. I would recommend combining study and work, as you gain so much experience this way. It has built my confidence and learning from the other, more experienced people around me at work has really helped me to get into a working mind-set."

Our Affinity Networks

Diversity is of course not just about women. It is also about making sure that Balfour Beatty is an inclusive place to work for people of all ages, genders and backgrounds.

As part of our commitment to diversity and inclusivity, we established four employee-led Affinity Networks³ in 2016, to help raise the profile and increase the representation of underrepresented groups.

Our networks focus on gender equality, LGBT+, ability and multiculturalism. The networks, which are open to all to join, also provide a dedicated space for the members to discuss the issues these groups face and are a resource for colleagues wishing to improve their own understanding.

Our Affinity Networks provide a first-hand perspective and play a valued role in making Balfour Beatty an inclusive and diverse place to work. They have been incredibly valuable in helping to break down the barriers some groups face in progressing within the organisation, and in ensuring greater understanding of the issues these groups face.

In 2019, we made progress on diversity and inclusion in a number of areas. For example:

- Refreshed Sponsors for three of our Affinity Networks and external coaching support to enable them to be effective in their role. The networks have their priorities in place for 2020.
- We undertook important work to understand barriers for BAME employees and developed a prioritised Ethnicity Action Plan to attract and retain BAME employees.
- We were also recognised at the 2019 CECA Inspiring Change Awards, securing the 2019 'Inspiring Change in the Workplace' award for the important work undertaken by our Multi-Cultural Affinity Network.
- There was significant employee engagement around key points, such as the World Day for Cultural Diversity, Mental Health Awareness Week, National Inclusion Week; and the International Day of People with Disabilities. Recognition of these events included Toolbox Talks, Managers 'Inclusion' Team Talks and Challenging Non-Inclusive Behaviours Toolbox Talk.

Our Diversity and Inclusion Strategy

We want to build a workforce that truly represents the communities we work in, ensuring all our employees feel comfortable being themselves at work. Our Diversity and Inclusion Strategy drives action to improve diversity in our organisation. It promotes high performance, engagement and makes Balfour Beatty a great place to work. We encourage innovative and fresh ways of thinking, allowing every employee to be themselves and perform at their very best.

Our D&I strategy is supported at every level of the business, Leo Quinn, Group Chief Executive Officer, is the Board-level sponsor for Equality, Diversity and Inclusion.

The steering committee leads our UK-wide diversity initiatives and tracks Balfour Beatty's progress against our D&I plan. It includes leaders from across the business who are passionate advocates for diversity and inclusion and are responsible for modelling inclusive and collaborative behaviours. Each member of the Steering Committee is also a sponsor of one of our four Affinity Networks created to connect our people.

Day-to-day delivery of our UK D&I plan is co-ordinated by the D&I Working Group which meets every six weeks to plan activity, track progress and report back to the Steering Committee. This group includes specialists in resourcing, talent & development, engagement, communications and procurement as well as representatives from our business units and Affinity Networks.

We believe that our D&I strategy is beginning to yield results. We were pleased to see that, in our 2019 staff survey, 78% of UK employees said they felt our culture is inclusive irrespective of background.

³<https://www.balfourbeatty Careers.com/why-balfour-beatty/affinity-networks/>



Appendix Statutory Reporting

Declaration:

The data contained in this report is accurate and has been calculated in accordance with the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Paul Raby
Group Human Resources Director
Balfour Beatty

Balfour Beatty Group Employment Limited gender pay data

Mean and median gender pay gap

Mean
21%

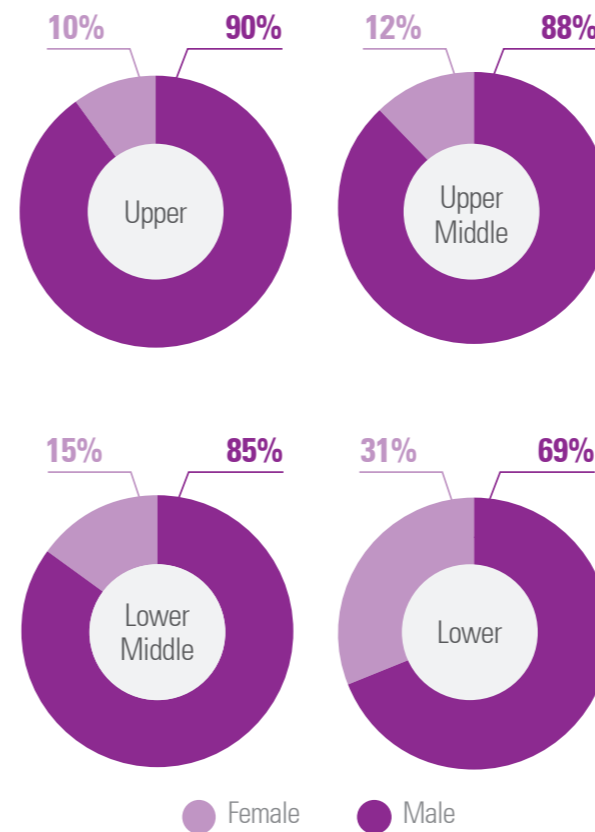
Median
26%

Mean and median gender bonus gap

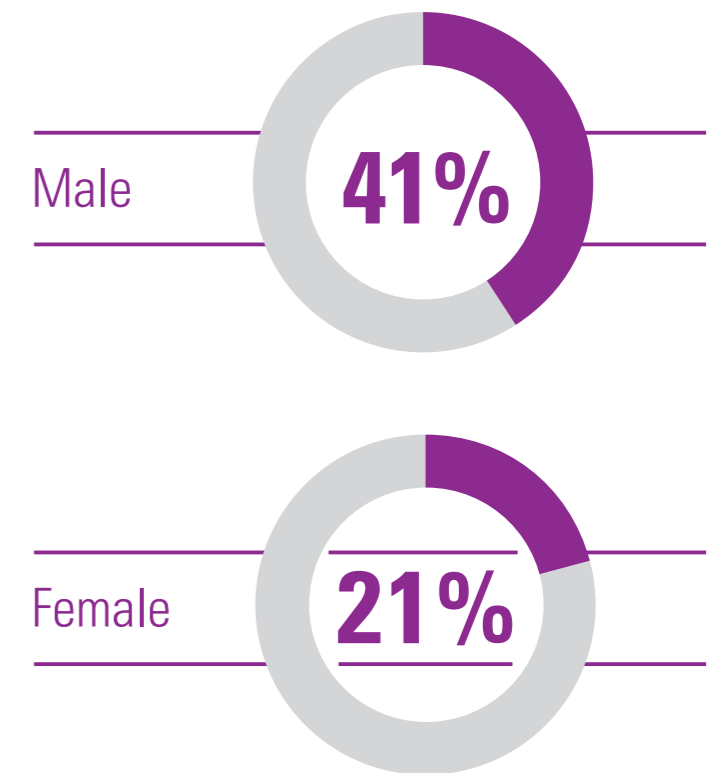
Mean
28%

Median
28%

Proportion of men and women in each quartile of the organisation's pay structure



Proportion of employees receiving a bonus payment



Appendix Statutory Reporting

Balfour Beatty Living Places Limited gender pay data

Mean and median gender pay gap

Mean and median gender bonus gap

Proportion of men and women in each quartile of the organisation's pay structure

Proportion of employees receiving a bonus payment

Mean

5%

Median

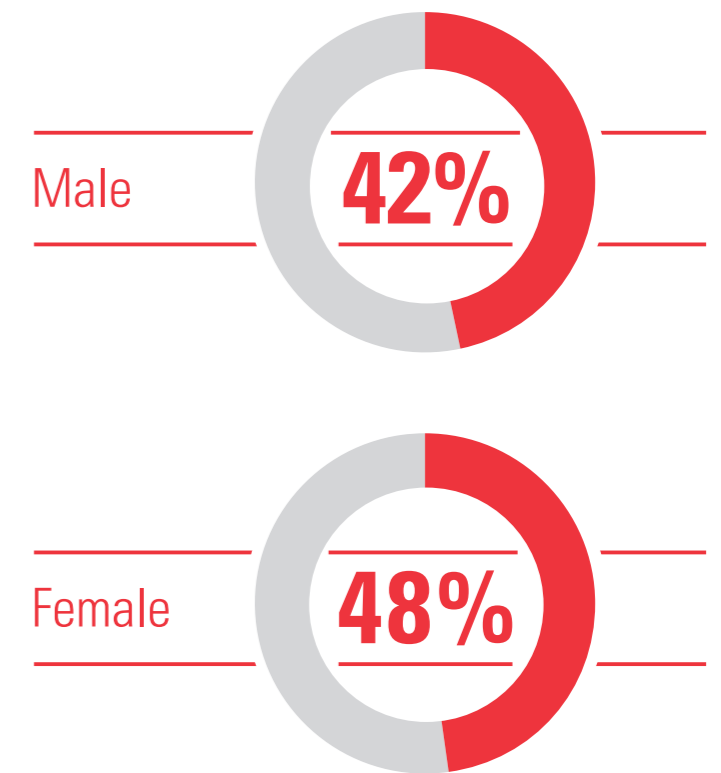
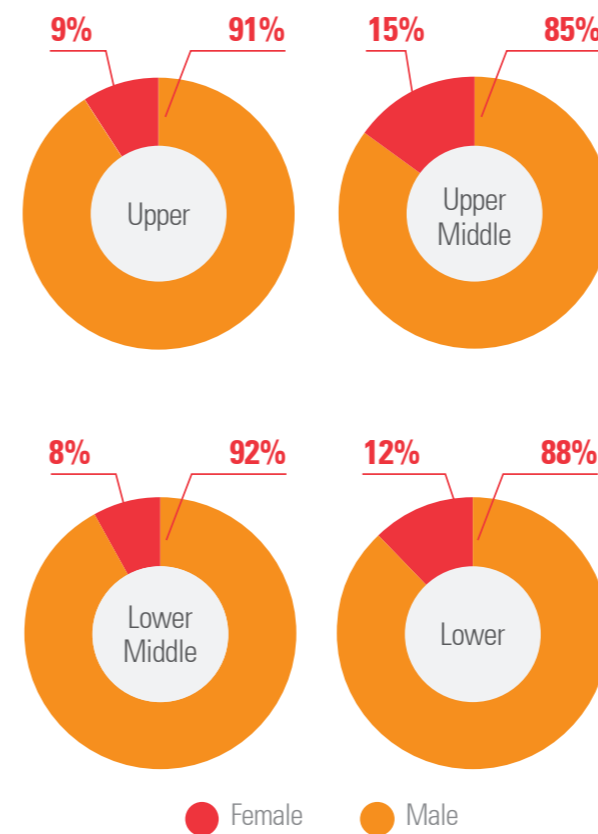
8%*

Mean

44%

Median

36%*



*The median gender pay and bonus gap for Balfour Beatty Living Places show median figures which are greater for women than for men.



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