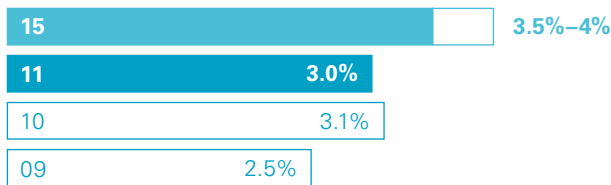


# Strategic performance continued

for a one-off cost expected to be in a range of 1 to 1.5 times the annual savings. We aim to see some modest savings in 2012 with a major portion coming through in 2013 and the residual element in 2014.

## How are we performing?

### Group operating margin<sup>1</sup>



<sup>1</sup> Profit from continuing operations before non-underlying items as a percentage of revenue including JVs and associates.

### What's next?

In the year ahead, we aim to:

- continue to implement procurement and back office initiatives
- enhance margins further at Parsons Brinckerhoff by focusing on better utilisation of resources
- expand the cost efficiency programme by broadening its scope.

## 4. Continue to show leadership in values and behaviour

To be recognised as the leading provider of infrastructure services – and to secure a sustainable, long-term future for the Group – we must also be a leader in areas such as ethics, safety and the environment.

### Why is this important?

Our reputation is crucial to winning new business, attracting and retaining the best people, and building high-quality business partnerships. To build and protect a reputation, we have been on a journey to embed our ethical and sustainable approach among our own 50,000 people and our wider 500,000-strong community of partners, subcontractors and suppliers. In addition, the emergence and increasingly aggressive enforcement of anti-corruption legislation with global reach makes ethical rigour a critical risk management issue. As we grow into new markets, we must work harder to maintain our high standards.



**Setting standards for a new generation**

In the UK alone, we work with a substantial number of supply chain partners every year and they are key to our success.

And what better way to do that than by sharing the way we train the next generation of workers? Through our Balfour Beatty Apprenticeships scheme, we're pioneering a shared apprenticeship model in which we employ young trainees and place them with companies in our supply chain. By moving around different sites and host employers, Balfour Beatty's apprentices can be sure of sufficient continuous employment to become fully qualified. And for smaller companies that can't easily commit to providing such a long period of continuous employment, it's a low-risk way of participating in apprenticeship training.

Last year the scheme recruited 27 apprentices – alongside the 450 already working in Balfour Beatty – and we expect the numbers to rise significantly this year as more suppliers join in. In this way, we're taking a lead in developing a future skilled workforce that's grown up with the quality and safety standards we set for our own people.

### What are we doing?

We have a major ethics, values and compliance programme, centred on the Code of Conduct we published in 2009 and two online training modules that all office-based and supervisory staff are required to take. In 2011 we published a Code of Conduct for subcontractors, suppliers and partners, as part of an ongoing drive to embed appropriate procedures and controls in the supply chain.

Since 2008 our Zero Harm programme has been working towards our safety goal of eliminating deaths and permanently disabling injuries to employees and contractors, injuries to members of the public and long-term harm to anyone's health. This has had a real impact, and our overall accident frequency rate is already down by some two-thirds compared with 10 years ago.

However, in 2011 the pace of improvement stalled. There were five fatalities – in our Hong Kong joint venture, Gammon – the same unacceptably high figure as we saw in 2010, and our accident frequency rate marginally increased. In 2012 we are redoubling our efforts to ensure that we return to the steady progress required by our Zero Harm vision.

It is almost three years since we set out our vision for sustainability, with a roadmap outlining where we want to be by 2020. All our operating companies have drawn up action plans and in 2011 we asked KPMG to conduct an independent review of their progress in implementing these plans. The review has identified some 180 examples of good practice which we have shared across the Group. We continue to raise our employees' sustainability awareness, and in 2011 over 15,000 of them received online sustainability training.

In 2011, we made little progress in reducing our CO<sub>2</sub>e emissions due to the increase in more energy-intensive projects in our Hong Kong joint venture. We achieved our water reduction target in 2011. We are also on track to halve our waste to landfill by 2012 and have procured 34% of our UK major materials from recognised responsible sourcing schemes.

For the fourth consecutive year, we asked an external stakeholder panel to review our reporting practices and provide an independent opinion of our sustainability performance and recommendations for where we could improve. This panel of 10 experienced sustainability and corporate responsibility practitioners comprises both public and private sector customers, an investor, supplier, trade association and third sector organisations. We believe that this approach to assurance is unique for our sector.

We help to influence the market to adopt more sustainable outcomes. From thought leadership on the natural environment, and industry partnerships, through to the development of innovative water footprinting and climate change adaptation tools, we are playing our part. For the UK Government's Natural Environment White Paper in 2011, we provided both written and oral evidence to the Environment, Food and Rural Affairs Committee and encouraged the Government to use the procurement process to move from ecological protection to enhancement. We also sponsored the development of the UK Green Building Council's leadership course for a sustainable built environment which was launched last year for senior executives.

You can read more about our efforts to demonstrate leadership in values and behaviour in "the way we work" and in our sustainability report 2011 – available online at [www.balfourbeatty.com/sr11](http://www.balfourbeatty.com/sr11).

### How are we performing?

#### Accident Frequency Rate ("AFR")

Target	0.10 <sup>1</sup>	+6%
11	0.17	
10	0.16	
09	0.17	

#### Greenhouse gas emissions (tonnes CO<sub>2</sub>e/£m revenue)

Target	37.5 <sup>2</sup>
11	41.4
10	41.7 <sup>3</sup>
09	36.3

<sup>1</sup> Or lower by end of 2012.

<sup>2</sup> 10% reduction by 2012 and 50% by 2020, both against the 2010 baseline.

<sup>3</sup> Restated due to more comprehensive data.

#### What's next?

In the year ahead, we aim to:

- refresh our sustainability roadmap, developing new targets for 2015
- continue to roll out sustainability training to involve an increasing number of employees in our 2020 vision
- participate in Business in the Community's corporate responsibility index for the first time
- sponsor Ecobuild 2012, the construction sector's largest event, to share our knowledge on BIM, offsite construction, energy efficiency and whole-life carbon modelling
- continue to embed our ethics, values and compliance programme and leverage it to support the Group's growth strategy as we enter new and sometimes higher-risk markets.



Go to **P48 – P51** for more information on "the way we work"