

This statement has been published in accordance with the Modern Slavery Act 2015 (the Act). It sets out the steps taken by Balfour Beatty plc and other relevant group companies (Balfour Beatty) during 2016 to prevent modern slavery and human trafficking in its business and supply chains. This statement has been approved by the Board of Directors of Balfour Beatty plc and signed by Leo Quinn, the Group Chief Executive. It has also been approved and signed by the boards of Balfour Beatty Group Limited and Balfour Beatty Plant & Fleet Limited.

Our business

Balfour Beatty is a leading international infrastructure group directly employing over 34,000 people. We finance, develop, build and maintain infrastructure that underpins daily life, supports communities and enables economic growth. We operate principally in the UK, the US and Canada, with a joint venture business in South East Asia (for more information on Balfour Beatty visit www.balfourbeatty.com).

Modern slavery is a brutal form of organised crime in which people are treated as commodities and exploited for criminal gain. The International Labour Organisation (ILO) estimates that 21 million men, women and children are working in conditions of modern slavery, including trafficked persons. The vast majority of these people are in the supply chains of legitimate industries. Balfour Beatty is committed to working within our own business and our supply chain to ensure that we implement a proactive approach to tackling hidden labour exploitation and reducing these practices in our wider supply chain.

Our Build to Last programme is transforming Balfour Beatty to ensure it is lean, expert, trusted and safe. Within this, our business ethics and integrity are fundamental to being trusted. This is because our reputation is part of our licence to operate and our competitive advantage. It gives confidence to our customers, partners, suppliers, employees, subcontractors and all the communities in which we operate. Such trust is hard won yet easily lost and depends on our ethics and integrity as a group being embedded in everything we do.

Our Codes of Conduct

Our integrity programme is underpinned by our Code of Conduct (www.balfourbeattycodeofconduct.com). Our Code has prohibited human rights abuses and promoted the United Nations Universal Declaration of Human Rights and the International Labour Organisation's standards regarding child labour and minimum age since its launch in 2009. The Code of Conduct has recently been updated to explicitly cover modern slavery. The key principles which relate to the supply chain are also included in our Supplier Code of Conduct, including those relating to human rights and modern slavery (www.balfourbeatty.com/suppliers/supplier-code-of-conduct). Our employees are required to carry out online training on the Code of Conduct, which is made available to them before they start working with us. Face to face training is also provided periodically on specific areas of the Code depending upon risk. We have video training for those based on site.

Our people and those we work with are encouraged to challenge any unethical, dishonest or unacceptable behaviour they encounter and to speak up if they see things that don't meet our high standards. We have an independent and confidential whistleblowing helpline, Speak Up, where issues can be raised. All reports are treated seriously and all concerns that are raised in good faith are investigated without bias and with absolute discretion. Appropriate action is taken where behaviour

has fallen below that which we require. In 2016, 250 reports on alleged breaches of the Code were made, however, none related to modern slavery. The issues raised and actions taken are reported to our Audit & Risk Committee (more information can be found on page 59 of our Annual Report and Accounts: www.balfourbeatty.com/investors/results-reports-and-presentations/). Whilst the Audit & Risk Committee and the full Board of Directors of Balfour Beatty plc ultimately have responsibility and accountability for the Code of Conduct, complying with it, demonstrating leadership in respect of it, and challenging where others do not, is the responsibility of everyone at Balfour Beatty and everyone who works with us.

Risk assessment

In response to the requirement to publish a statement on modern slavery, we have established a cross-organisational working group consisting of members of the HR, Health, Safety, Environment & Sustainability, Procurement & Supply Chain and Business Integrity teams. We also specifically included modern slavery in our most recent risk and opportunity assessments. Our supply chain risk assessment considered the risk associated with sub-contractors bringing labour onto our sites and the potential for labour exploitation down the tiers of our supply chain.

Our assessments revealed that whilst risks existed in our recruitment practices and operational site management, the most significant risks are in our material and subcontract procurement.

Our supply chain

Our supply chain consists of both suppliers and subcontractors. We have in excess of 10,000 suppliers and subcontractors, predominantly (98%) based in the UK. Of Balfour Beatty's direct spend in 2015 0.0001% has been identified as being spent in high risk countries of origin (such countries being determined as high risk by the Global Slavery Index)¹.

Balfour Beatty subcontractors and suppliers are now required to confirm the actions they are taking to ensure labour exploitation, modern slavery and human trafficking are not taking place in any part of their business or supply chain. Suppliers and subcontractors are required to notify Balfour Beatty as soon as they become aware of any instance of modern slavery or human trafficking taking place in their supply chains or in any part of their business. Supplier and subcontractors are also required to maintain a complete set of records to trace the supply chain of all goods and services provided to Balfour Beatty. High risk suppliers (i.e. those who may be sourcing from high risk countries of origin) are required to provide evidence of regular supply chain audits, either directly or through a third party auditor to monitor performance.

We also require all those who work for or with us to comply with our Code of Conduct or Supplier Code of Conduct. We also require all factories and premises used in the manufacture and supply of products and services to be compliant with our Code of Conduct. In complying with our Codes, suppliers are required to comply with all applicable laws, statutes, regulations and codes from time to time in force including but not limited to the Act, United Nations Global Compact and the International Labour Organization International Labour Standards.

Appropriate action is taken to investigate and address breaches of our Codes and serious breaches have resulted in removal from our approved supplier list.

¹ The high risk country of origin for this spend in 2015 was India

Whilst we already had the policies and processes mentioned above in place to deal with the risk of modern slavery, we have also undertaken additional activity last year to minimise this risk:

- we have reviewed the current procurement and supply chain/subcontract engagement processes to understand what steps are currently being taken in our own business to ensure modern slavery and human trafficking is not taking place in our supply chain
- we have obtained information on the measures high risk suppliers/subcontractors are taking to ensure modern slavery and human trafficking is not taking place. Where we have determined that this is not sufficient, we are working with suppliers/subcontractors to improve their approach to modern slavery;
- we have updated our pre-qualification questionnaires (part of our process for accepting suppliers and subcontractors onto our approved supplier list) to include specific questions on modern slavery and human trafficking to understand the approach taken. The responses are reviewed by our sustainable procurement team;
- we have updated template commercial agreements and subcontract conditions to include an obligation on suppliers and subcontractors to comply with the Act and ensure that their suppliers and subcontractors will too;
- we have published 'Modern Slavery and Labour Exploitation Guidance' for buyers and suppliers (<http://www.balfourbeatty.com/media/195876/modern-slavery-and-labour-exploitation-guidance-and-requirements-for-suppliers-updated-feb-2017.pdf>);
- we hosted a 'Modern Slavery Masterclass' with 60 recruitment agencies to explore the modern slavery risks in our recruitment of agency labour and the steps being taken to reduce this risk;
- we are working with key strategic suppliers and industry bodies to engage with Tier 2 and Tier 3 suppliers to understand capability and discuss best practice and learning on modern slavery; and
- we collaborated across the industry through the Supply Chain School to develop learning materials and other resources to support the wider construction and infrastructure supply chain to adopt good practices and to spot the signs of modern slavery. The Supply Chain School is an award winning collaboration of over 40 contractors and client organisations from the construction and infrastructure industry who are developing a common approach to sustainability (see <http://www.supplychainschool.co.uk/modern-slavery/>). The School provides free practical support to over 14,000 members.

Our people

Whilst there is less risk in our own business than through our supply chain, we have also undertaken some action to prevent modern slavery and human trafficking in our own business.

Our UK recruitment policy explicitly commits us to the prevention of modern slavery in our business and guidance is provided to relevant managers in our recruitment process. Balfour Beatty managers

carry out face to face checks on original right to work documents when they interview prospective employees and Advantage XPO, our managed service provider of temporary workers, carry out the same process when they meet with prospective temporary workers on our behalf.

When new employees join Balfour Beatty, our pre-employment checks ensure that bank account details provided for the payment of salary match the name of the employee and where discrepancies arise we investigate and may require further assurance to ensure the employee is not subject to modern slavery. Where documents which link the employee with the payee cannot be provided, this is escalated to senior members of the HR team for assessment. We also conduct audits of, and investigate any instances, where more than one employee's salary is being paid into any single bank account.

Balfour Beatty maintains healthy relationships with our trade union partners and in 2017 we will be engaging with them to seek their support in the prevention of modern slavery.

Our journey

We understand that the risk of modern slavery is not static, and we must continue to improve our mitigation in the years ahead, with a particular focus on:

- staff awareness. A February 2017 newsletter, sent to 12,000 employees, covered modern slavery, the warning signs to look for and where to find additional information. We will also ask over 9,000 of our employees to undertake an assessment which will help us check their understanding of modern slavery and how to spot the risk factors for it. The responses to this assessment will shape our training programme for these individuals. We are also mapping employees based on their job description to determine what mandatory training is required;
- mapping the high risk parts of our supply chain to gain visibility further down the tiers, particularly those which source products, components or materials from high risk countries of origin;
- developing an agreed approach to modern slavery with our supply chain and determining the level of, and processing for, auditing against that approach;
- reviewing on-site processes to identify the specific risks associated with modern slavery and on-site workers and where improvements can be made; and
- developing key performance indicators to assess the effectiveness of our programme for identifying and addressing modern slavery.

We have laid the ground work for preventing modern slavery within our business and supply chain through the policies and procedures we have implemented but we now need to ensure that these are being followed in practice. This will be a key area of focus in the coming 12 months.



Leo Quinn
Group Chief Executive
Balfour Beatty plc
14 March 2017