

Balfour Beatty

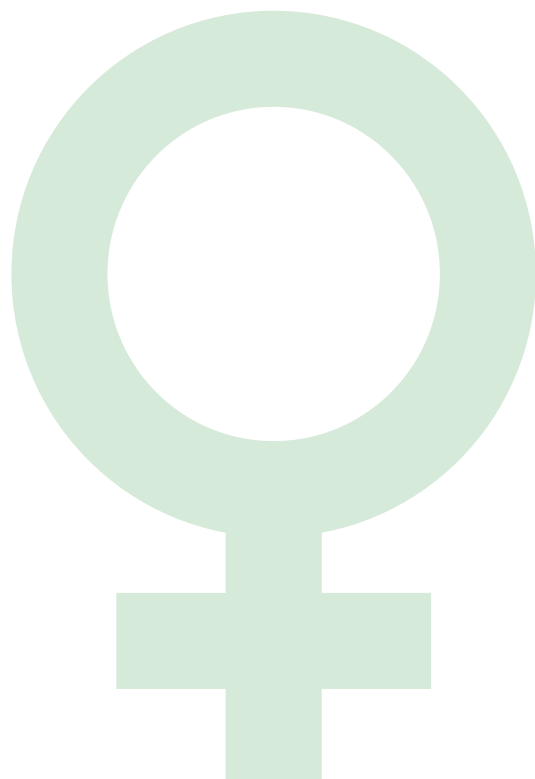
UK Gender Pay Report

— 2018/2019

Inspiring change in our industry



The introduction of Gender Pay Gap reporting was a defining moment in the commitment to level the playing field for women in work.



A century after the introduction of universal votes for women, Gender Pay Reporting has helped shine a light on another key area of gender imbalance – the comparative average earnings of women and men, for their economic contribution to the country.

Like all data, what is essential in order to address the issues is to fully understand what that data is actually telling us, and why.

We know, for example, that our gender pay gap is in large part due to the fact that we employ more men than women at the top levels of the organisation. So, since reporting our gender pay gap last year, a major focus for us has been ensuring that we have the right plans in place which will, over time, improve gender balance from the ground up and thus, over time, at every level of the business.

Introduction

Balfour Beatty today is a company that looks to achieve meaningful, sustainable changes – not quick fixes. So if our intention is to create a diverse workforce which reflects the society we are a part of, we need to plot a course of action to get there: we have to do things differently.

Last year our Executive Committee agreed a stretching action plan which ensures we are taking a holistic view of the issue. This includes steps such as a review of our recruitment practices; a focus on ensuring we have an inclusive culture; a brand new external careers site; a refreshed graduate selection process; and partnering with external organisations to help us access diverse or disadvantaged groups.

We are also setting ourselves a number of targets: what gets measured gets done. We have been using targets very effectively to drive business outcomes: now we want to give the same focus and importance to improvements around gender.

Combined with this, we will also continue to focus on how it feels to work at Balfour Beatty – everyone needs to feel able to perform to their best and this means ensuring behaviour in all parts of our business is in line with the Balfour Beatty Behaviours. Behaviour which falls short of these standards will not be tolerated in our business.

At the same time, beyond our own company we operate in a sector - construction – which was unfortunately revealed as being one of the worst industries in terms of its gender pay gap last year.

This is a problem that belongs to all of us: how the wider industry is perceived has a significant impact on how likely people are to choose to develop their careers in the sector. Transforming the industry will be tougher than just driving change within our own business. Most of the issues driving the pay gap are societal, structural and historic: they will require action over the long term and an understanding that significant improvements may take years to come through.

For example, we know that there is a limited pool of women qualified in key disciplines, such as in Engineering. Getting more women into the industry goes hand-in-hand with reducing the sector's gender pay gap. As a business, we are continuing our outreach work with schools and colleges to encourage more young people, especially women, into the sector. But all businesses in our sector must pull together to attract more women into these disciplines and into the industry in order to increase the size of that pool.

As you will see on the following pages, we have made some progress. For example: the overall percentage of women in the business has increased since our last gender pay report (21% of total hires in the last 12 months were female) and we have improved the gender balance of our Board and Executive team in the last year.

At the same time, our mean gender pay gap at Balfour Beatty has increased very slightly, as we anticipated it might. This may be due to the measures we are implementing to bring in more women into the business at entry level: we have increased the number of females recruited amongst the graduate, apprentice and trainee population. Whatever the short-term impact on metrics, there is no doubt that these steps are the right ones in

order to create a long-term pipeline of female talent which will embed sustainable change in our workforce and our culture.

So there remains a long way to go. The issues in the sector are longstanding and deep-rooted. We know that progress will at times seem frustratingly slow, but by fulfilling our plan, we should begin to move in the right direction within the next few years. The bottom line is, we know that action is what brings about change, and we are committed to drive change as quickly as we can.

Women will not seriously consider construction and infrastructure as a viable career route in large enough numbers until the sector fully addresses these issues. But let's not get stuck on the scale of the challenge. Let's focus on the action we need to take to tackle it and remember – as we have already proved elsewhere, focus delivers results.

Leo Quinn
Chief Executive



2018/2019 reporting period data

Balfour Beatty has looked at how we pulled together our Gender Pay Gap data last year and we have refined our systems to ensure accuracy and transparency.

As with many other employers, this exercise revealed a technical error in the way we calculated our hourly rate of pay last year, which led to us reporting data which overstated our pay gaps in 2017. We reported a mean gender pay gap of 27% and a median gender pay gap of 33% for Balfour Beatty Group Employment Limited (BBGEL) last year, however the corrected figures are 21% and 23% respectively¹. The corrected figures for Balfour Beatty Living Places Limited (BBLP) are 6% (mean) and 0% (median).

We have updated the data with the Government Equalities Office and have taken further steps to ensure the accuracy of the data this year and in future years.

As we highlighted in the accompanying narrative to our 2018 gender pay data, some of the important, positive steps we are taking to lower the gender pay gap in the long term may actually increase the gender pay gap in the short term. These steps include hiring more women into graduate roles, apprenticeships and entry-level roles in order to build our talent pipeline. As entry-levels are paid lower than senior positions, increasing the number of women in more junior roles may increase the gender pay gap in the short-term.

This is the right thing to do and it will lead to a more diverse company and a smaller gender pay gap in the future.

As the Government itself has said, initiatives to improve the gender pay gap are unlikely to make an impact in the short term and mandatory Gender Pay Gap reporting was never intended to produce a “quick fix”. We are confident that the targeted measures we are implementing will have a positive and sustained impact in the long term.

¹ As Balfour Beatty's 2017 and 2018 data has been taken from different systems, this makes direct comparison extremely difficult.

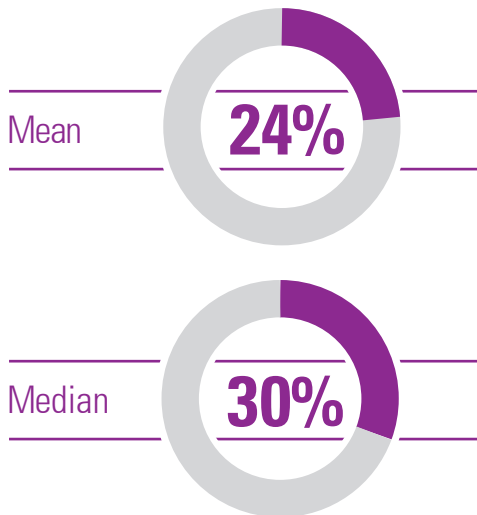


Our 2018 data

Mean and median gender pay gap

The mean gender pay gap between male and female employees in Balfour Beatty is 24%. The median gap is 30%. We are required to publish both figures as the two measure different things.

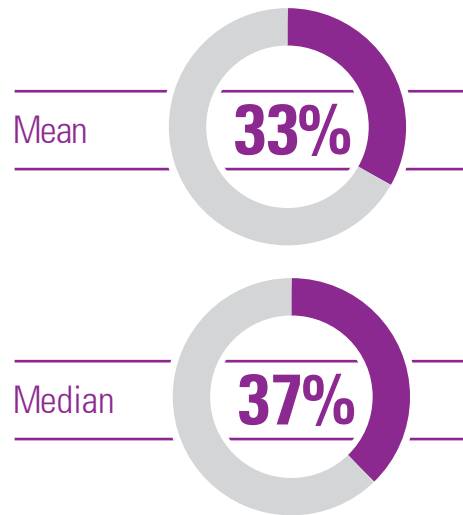
The mean measures the difference between the average male and female salary while the median is calculated using the midpoint salary for each gender.



Mean and median gender bonus gap

Our gender bonus gap (33% mean, 37% median) is also reflective of the fact that the majority of those who have the opportunity to earn a bonus are those in management roles in the organisation, where female representation is lower.

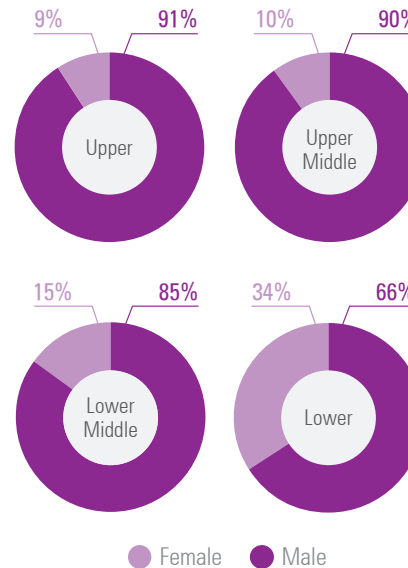
Those with the opportunity to earn the largest bonuses, typically in senior leadership roles sit within the upper pay quartile of the organisation where the number of women is much lower than the number of men.



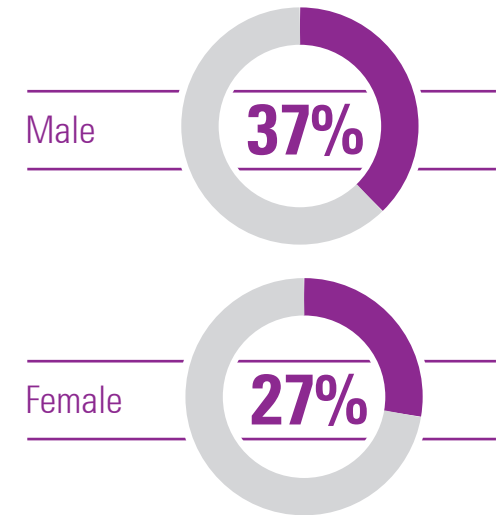
Proportion of men and women in each quartile of the organisations pay structure

The chart below shows the distribution of gender across four equal quartiles of seniority by pay from the lowest 25% of earners to the highest 25% of earners.

In the lower quartile of the organisation that represents most junior and lowest paid roles there are 66% men and 34% women, in the upper quartile which contains the most senior and highest paid roles there are 91% men and 9% women.



Proportion of employees receiving a bonus payment



Progress

Steps we are taking to narrow our Gender Pay Gap

Our vision is of a truly diverse workforce for our business. We want to be an employer of choice for high quality talent no matter what their gender, sexuality, race, ethnicity, social background or religion, not only because this is the right thing to do, but because it makes us a better business and because our customers expect it.

For these reasons, we want to be transparent about what we are doing to reduce our gender pay gap. In particular, we have put in place a robust action plan to foster female talent. The plan is being shared through 2019. By doing so, we believe we will be supporting our commitment and making a strong statement about how seriously we take this issue.

The action plan has been agreed by our Executive Committee. It includes realistic, concrete, measurable actions which will ensure we make real progress. This includes updating and improving our maternity policy, reviewing recruitment practices and supporting women back into the business through our Returners Programme. We believe that implementing these and other measures as part of a long-term sustainable plan offers the best chance of tackling our pay gap.

Through this plan, we are taking steps to address the underrepresentation of women at every level of the business, including the top level. This includes bringing in measures such as Leading Inclusively development for Senior Leaders and improved career support for those coming off our graduate scheme.

Other measures we are implementing include:

- We know how important it is to lead from the top. We are therefore increasing the focus on gender diversity in our leadership. In 2019, our Executive Committee will begin a programme of reverse mentoring, where they are teamed up with an employee from an under represented group in order to build their awareness and understanding of challenges and opportunities within our business.
- We are supporting the development of females at all levels of our business: one third of our current cohort of our Future Leaders Programme is female.
- We will support women with their development action plans and put mentors in place where this supports skills and career development. Members of our Executive Committee will mentor at least one female employee.
- Creating an inclusive environment is an essential piece of the jigsaw. Although the tone is set at the top of the organisation, everyone in our business has an important role in promoting diversity. During 2019 we will work to improve understanding around diversity and inclusion with our UK employees.
- Almost 300 women will have completed our Empower career development programme by the end of 2019.

These steps show some of the action we are taking to actively support females and ensure we have a positive, inclusive culture where all can flourish. We believe, over time, these measures will increase the diversity of our workforce and help address our gender pay gap. Our focus is to create a more inclusive work environment. We want to ensure that everyone who works at Balfour Beatty feels included, valued and accepted. Where everyone can thrive, regardless of background or gender.



A sector-wide issue

Although Balfour Beatty aims to be ambitious in improving its gender balance, it cannot act entirely alone.

The fact that we are operating within a historically male-dominated sector has an impact on how many women we can recruit, into which areas of the business and at which level. For example, we would like to have female candidates to consider for all roles. However, we have found that there are some roles where we have no female candidates at all, which has made our aspiration difficult to achieve in some cases.

This is, therefore, a medium to long term aspiration which we know requires action on a number of fronts, but to which we are fully committed. It will also require work across the sector and more broadly, with continuing effort at Government level and through the education system.

Balfour Beatty is playing an active role in addressing these wider issues. For example, as there is only a limited pool of women qualified in key, relevant disciplines such as Engineering, we are continuing our efforts to increase the pool through our outreach work with schools, colleges, universities and other groups. But encouraging women to study relevant subjects and consider construction and infrastructure as one of their career options is only half the battle: we must do better as a sector at translating that initial interest into more women coming into the industry and remaining in it.

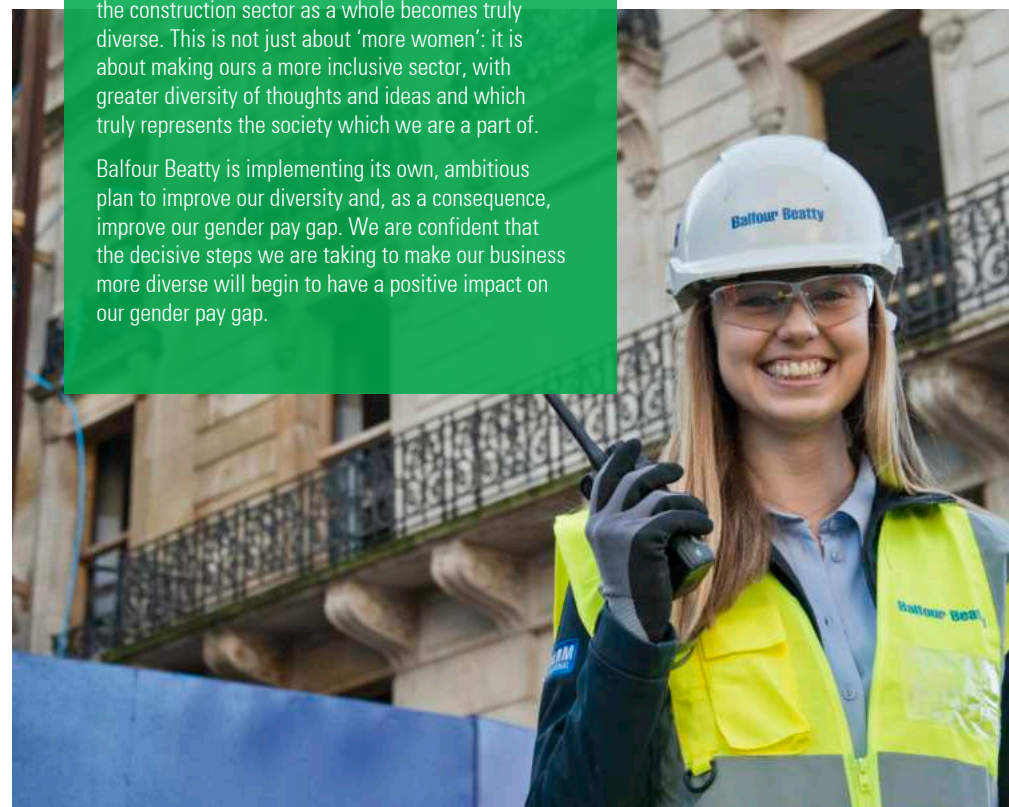
There are other, cultural issues existing across the industry, which continue to tarnish the image of the sector, deter women from working in it or make them feel uncomfortable in the workplace. We need to change and be seen to change. The whole sector must take a stand. In Balfour Beatty we are committed to dealing decisively with any examples of this we find. Steps such as reverse mentoring and other feedback loops ensure we understand what it feels like to work in our business and help to highlight areas where further action may be needed to create a genuinely inclusive environment.

In this historically male-dominated sector, the industry must come together as one to consider how to attract and support the development and progression of women and ways to address any barriers which may slow down our progress on these essential objectives.

Conclusion

Although Gender Pay Reporting has moved the agenda forward, there is still a long way to go before the construction sector as a whole becomes truly diverse. This is not just about 'more women': it is about making ours a more inclusive sector, with greater diversity of thoughts and ideas and which truly represents the society which we are a part of.

Balfour Beatty is implementing its own, ambitious plan to improve our diversity and, as a consequence, improve our gender pay gap. We are confident that the decisive steps we are taking to make our business more diverse will begin to have a positive impact on our gender pay gap.



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.

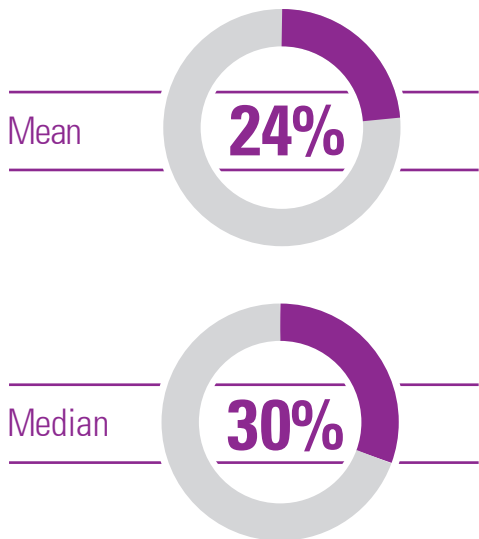
Paul Raby

Group Human Resources Director
Balfour Beatty

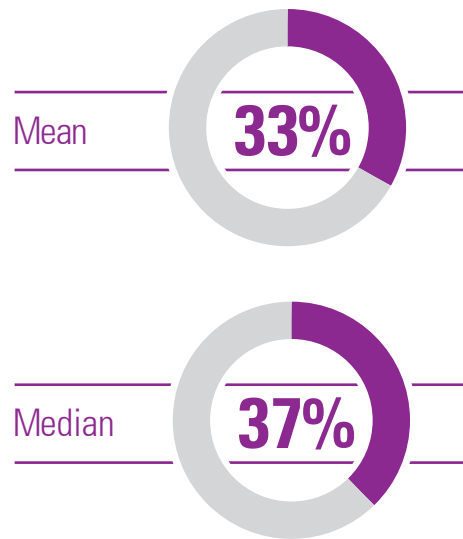


Balfour Beatty Group Employment Limited gender pay data

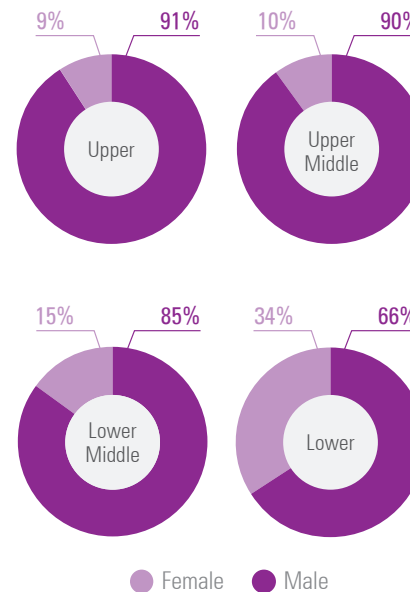
Mean and median gender pay gap



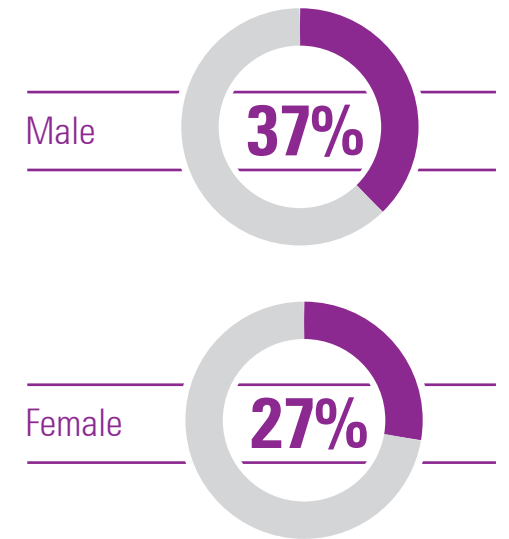
Mean and median gender bonus gap



Proportion of men and women in each quartile of the organisations pay structure

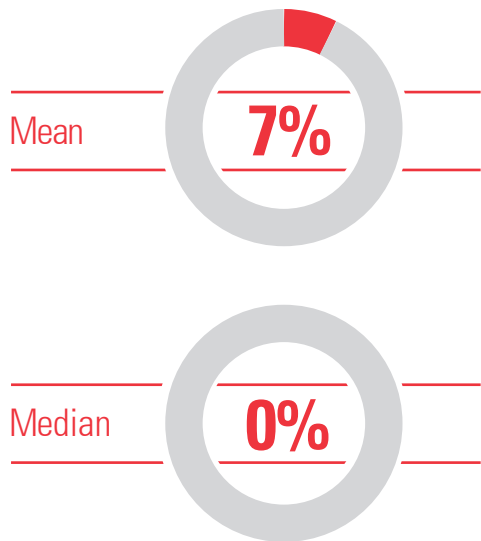


Proportion of employees receiving a bonus payment

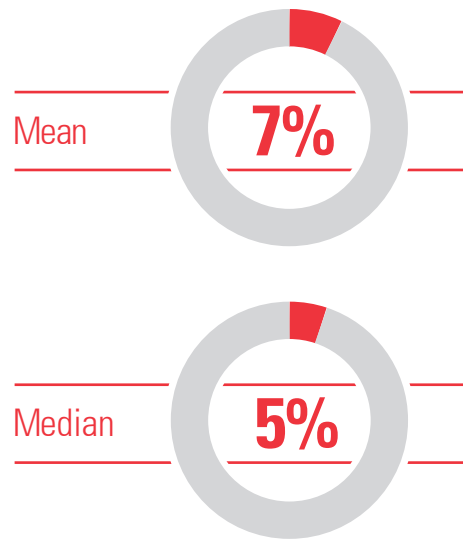


Balfour Beatty Living Places Limited gender pay data

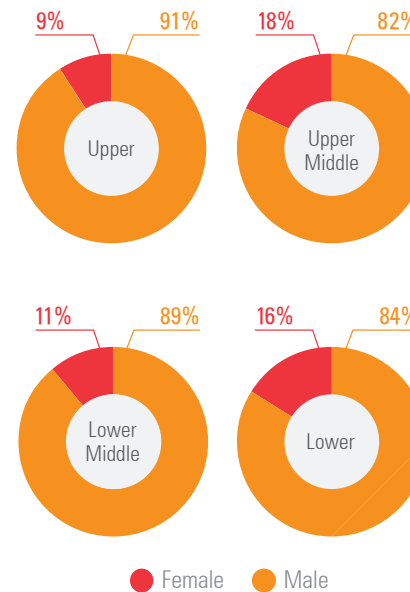
Mean and median gender pay gap



Mean and median gender bonus gap



Proportion of men and women in each quartile of the organisations pay structure



Proportion of employees receiving a bonus payment

