



Modern Slavery Statement

2020-21

Balfour Beatty

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 subsidiaries in the Balfour Beatty group of companies during 2020 to prevent modern slavery and human trafficking in its business and supply chains. This statement has been written using the Ethical Trading Initiative Framework for Evaluation¹ as a guide. It has been reviewed and approved by the Balfour Beatty plc Board and signed on its behalf by Leo Quinn, the Balfour Beatty plc Group Chief Executive. It has also been approved by the boards of Balfour Beatty Group Limited and Balfour Beatty Group Employment Limited.

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Foreword

Modern slavery is a largely “hidden” crime where individuals are exploited for another’s gain. It can take many forms including human trafficking, forced labour and servitude. Almost all businesses face the risk of modern slavery somewhere in their supply chains. No sector is immune. The construction sector can be a prime target for those exploiting others, due to fragmented supply chains, the fluctuating workforce and high reliance on short-term and, in some cases, low-skilled labour. The consequence is that too many people are falling through the cracks and being exploited.

Since the passing of the Modern Slavery Act 2015, which rightly put this issue under the spotlight, Balfour Beatty has continuously refined and improved our approach to ensure we are making a genuine contribution to stamping out this scourge. Given that our industry is large, complex and at high-risk for abuse by perpetrators of modern slavery, this issue needs a collaborative approach with all parties: with our customers; our supply chain partners; with experts in the field; and with the Government and public authorities. It calls for processes, procedures, training - and our communication of all of these - to be fit for purpose. We know we cannot take our eye off the ball, which is why we continually refresh our approach. For example, in 2020, we started trialling a new passport scanning system at the Old Oak Common Station site to help mitigate risk of modern slavery, given the sheer scale of the project.

We know that a particular area of weakness lies in the onward supply chain. For example, using subcontracted workers adds a layer of separation between us and those working on some of our contracts. That’s why responsible procurement is central to how we operate. It’s also why we invest in ensuring our supply chain partners have access to free training and guidance via the Supply Chain Sustainability School. We are clear in our Supplier Code of Conduct that we expect the highest standards and vigilance from our supply chain partners and their onward supply chain. In 2020, we put in place new steps in this area, including a new requirement for our supply chain partners to provide their modern slavery statement as part of the tendering process to provide us with assurance that they are taking the issue seriously.

This statement provides details of our policies, our approach and the efforts we have taken in 2020 to further strengthen our programmes and to reduce the likelihood of modern slavery occurring in our business and our supply chain. It also sets out the steps we will take in 2021 and beyond, to further strengthen our approach.

Balfour Beatty recognises the global leadership the UK Government has shown in tackling modern slavery through the landmark Modern Slavery Act 2015. As a responsible business, we will never shy away from doing the right thing. There is never any excuse for the mistreatment of others.



Leo Quinn

Leo Quinn
Group Chief Executive
Balfour Beatty plc

13 May 2021

Progress on tackling modern slavery in 2020

These are the steps we have taken in the last twelve months to help mitigate the risk of modern slavery and human trafficking:

- > Balfour Beatty has undertaken a review of its approach to ethics, compliance and security and as a result, we have made some changes which are being rolled out in 2021. One of these changes is to move responsibility for case management and investigation into cases raised through the Speak Up helpline, including potential instances of modern slavery, to the group Risk Audit and Quality Function. The aim of these changes is to ensure Balfour Beatty continues to maintain the highest standards of governance across the whole group and build a first-class international ethics and compliance programme.
- > In December 2020, we developed a new Key Performance Indicator (KPI), setting a target that 100% of our supply chain partners in the UK, regardless of turnover should have a modern slavery statement or equivalent by 2025. We will be using our e-procurement tool Jaggaer and information available from our prequalification process, Constructionline, to track this data. Although we are encouraging as many as possible to complete this in 2021, we understand that smaller businesses may need further support. If a supply chain partner is initially unable to comply, we will direct them to materials on the Supply Chain Sustainability School's website to help them develop their own statement. If they do not publish or share a modern slavery statement following this, we will not work with them.

- > During 2021-22 we will be validating that those of our supply chain partners with a turnover greater than £36 million have a modern slavery statement. In addition, high risk supply chain partners such as those providing labour or those based in or sourcing from high-risk countries of origin are subject to additional due diligence as detailed in our *Modern Slavery and Labour Exploitation Guidance and Requirements for Suppliers* document.

Given the importance of procurement professionals in mitigating the risk of modern slavery, we swiftly adapted our face-to-face training on sustainable procurement, which includes the risk of modern slavery in the supply chain, for UK procurement colleagues to an online format to ensure it could still take place in spite of COVID-19 restrictions.

In 2020, we worked closely with the Gangmaster and Labour Abuse Authority (GLAA) to develop a pilot for the use of a passport scanning system on one of our sites to help conduct worker checks as part of the induction process to identify any possible indicators of modern slavery (see page 20 for the Case Study on Old Oak Common).

Balfour Beatty worked as a member of the Rail Safety Standards Board's (RSSB) Modern Slavery Working Group, to produce a good practice guide to managing modern slavery risks for the rail sector. This was published in January 2021 and is available on the RSSB website². The guide covers risk management, procurement, training and incident response planning and provides a guide to what modern slavery is, how to spot it and what to do about it.

Structure, business and supply chains

About Balfour Beatty

Balfour Beatty is a leading international infrastructure group - founded and headquartered in the UK, with 26,000 employees worldwide. Our main geographies are the UK, US and Hong Kong, where we have a joint-venture business, Gammon.

Balfour Beatty finances, develops, delivers and maintains the increasingly complex infrastructure that supports daily life and drives economic growth. Our projects span transportation, power and utility systems, social and commercial buildings, combining world-class investments capability and leading construction and support services to deliver both large, nationally critical complex infrastructure and local and regional projects at the heart of local communities.

Examples of our UK projects include the M4 Motorway upgrade, Crossrail – Whitechapel and Liverpool Street Station Tunnels, Midland Metropolitan University Hospital and University of Sussex Student Accommodation.

Our customers are government departments and agencies, regulated utilities and private sector organisations.

Balfour Beatty prides itself on being a responsible and sustainable business and is a global leader in sustainable procurement. In 2017, Balfour Beatty became the first company in the world to be assessed against ISO 20400, the international standard for sustainable procurement.

In December 2020, we refreshed our group-wide Sustainability Strategy, *Building New Futures*³. This articulates our ambition to leave a positive, sustainable legacy wherever we work. Operating transparently and setting high standards to reduce the risk of modern slavery in our supply chain is a key element of this.

We also refreshed our Cultural Framework⁴ in December 2020. Our Cultural Framework sets out our purpose, values and behaviours. It supports our business decisions, investments and actions and is embedded in our operations and our business processes. Our approach to modern slavery is aligned to these two documents.



Midland Metropolitan University Hospital

Our workforce

Our workforce is made up of permanent and temporary skilled and lower skilled roles hired both directly by Balfour Beatty and through our supply chain partners. Due to the range of different contracts that those working with and for us are on, we ensure that our due diligence extends beyond the first tier of the recruitment process.

We apply appropriate employment practices and policies for each market and always work within the relevant collective agreements that are applicable to our projects and sites.

Across our UK workforce we operate under a number of different local and national collective agreements. We also have a range of separate company recognition arrangements; these operate in various parts of our business and are with trade unions. Where we have formalised relationships with unions we provide the opportunity for them to escalate any risks they identify by regular meetings.

In the US, we have robust employment verification requirements in place to meet both State and Federal requirements. This includes e-verification background checks which require employee identity documentation. In California, we meet the Department of Industrial Relations requirement for certified payroll reporting which lists wages paid to each employee, hours worked, type of work undertaken and the benefits they're entitled to. This ensures workers are paid the prevailing wage agreed with the US Department of Labor based on factors such as type of labour, location and bargaining agreements in place.

In Hong Kong, Gammon use agents to provide workers for Singaporean operations. These agents must be licensed with the Singaporean Ministry of Manpower. This ensures they are following the correct work permitting requirements for construction, particularly for overseas workers. Agencies must declare the fixed monthly salary of the workers to the Ministry of Manpower, ensure they have proper housing and provide medical insurance, amongst other requirements.

Grievance mechanisms

We provide those who work with and for us with a confidential, independent and well-signposted way of reporting anonymously anything suspicious that they see. This is essential for rooting out modern slavery and other breaches of our Code of Conduct. We know that employees may not always feel confident talking openly to a colleague, or may fear that reporting on those they work with could impact their own working situation.

Speak Up⁵ is Balfour Beatty's independent whistleblowing service. It is freely available to all employees, partners and members of the public in the UK and US for reporting concerns regarding conduct and issues that might be in breach of the company's Code of Conduct and other policies. We ensure that it is clearly signposted across our sites and offices, on our website and on other materials.

During 2020, Speak Up received 292 calls. None of these were related to modern slavery. In 2019, we received three potential cases flagged to Speak Up. Each report was fully investigated by our Business Integrity team and was found not to amount to modern slavery. Our response to reports of modern slavery is based upon the principles of careful, sensitive investigation and engagement with the GLAA at the earliest opportunity. During our 2020 ISO 20400 Sustainable Procurement Assessment the auditors found that there is a consistent usage of Speak Up throughout the business.

M4 Smart Motorway



Our supply chain

UK

Balfour Beatty has a supply chain of around 8,200 valued partners, many of which we have worked in partnership with for over a decade, and some of which we have worked with for over 30 years. They include large multinational companies, micro businesses and social enterprises.

We spend two thirds of our revenues in procuring goods and services from our supply chain. In 2020, our UK net spend with these partners was over £2.7 billion: over 30% of this spend is with our top 100 partners. We have regular contact with these supply chain partners via email and phone as well as meeting face-to-face (or, more recently, via video conference). When face-to-face meetings are possible, these are often held at the supply chain partners' office or manufacturing locations, which enables us to see first-hand how they operate. During 2020, we undertook additional contact with our supply chain partners to understand the challenges they were facing due to COVID-19, including regular surveys. This helped us with business continuity planning and to identify targeted ways to support them during the pandemic.

As a contractor, our work is project-based. Some of our projects last for five years or longer, whilst others may only take a few weeks. There is the potential for short-term projects to create a higher risk of modern slavery if new supply chain relationships have to be established for each project. To manage this risk, we contract the majority of our short-term projects on a framework basis with our customers. This enables us to develop a trusted supply chain we can work with over several years on a series of shorter projects, ensuring there is a clear understanding of our processes and expectations and increasing transparency.

In 2020, 97.72% of our UK spend was with companies registered in the UK. 29% of our spend was with material suppliers and 71% was with subcontractors, although our subcontractors often purchase materials on our behalf.

According to the Global Slavery Index country prevalence ratings, 99.7% of our UK spend is in the lowest three tiers of risk. 0.06% of our UK spend in 2020 was in China which has the highest absolute victims of modern slavery according to the Global

Slavery Index. Hong Kong

Gammon's supply chain has 1,113 supply chain partners, located in 48 geographies. The spend is reviewed against the prevalence of modern slavery score provided by the Global Slavery Index. 52.14% of spend is in the lowest risk countries for modern slavery risk, 46.86% of spend is in the medium risk



countries and 1% of spend is in the highest risk countries. Our UK subsidiary companies are listed in **Appendix 1**.

Our strategic approach to tackling modern slavery

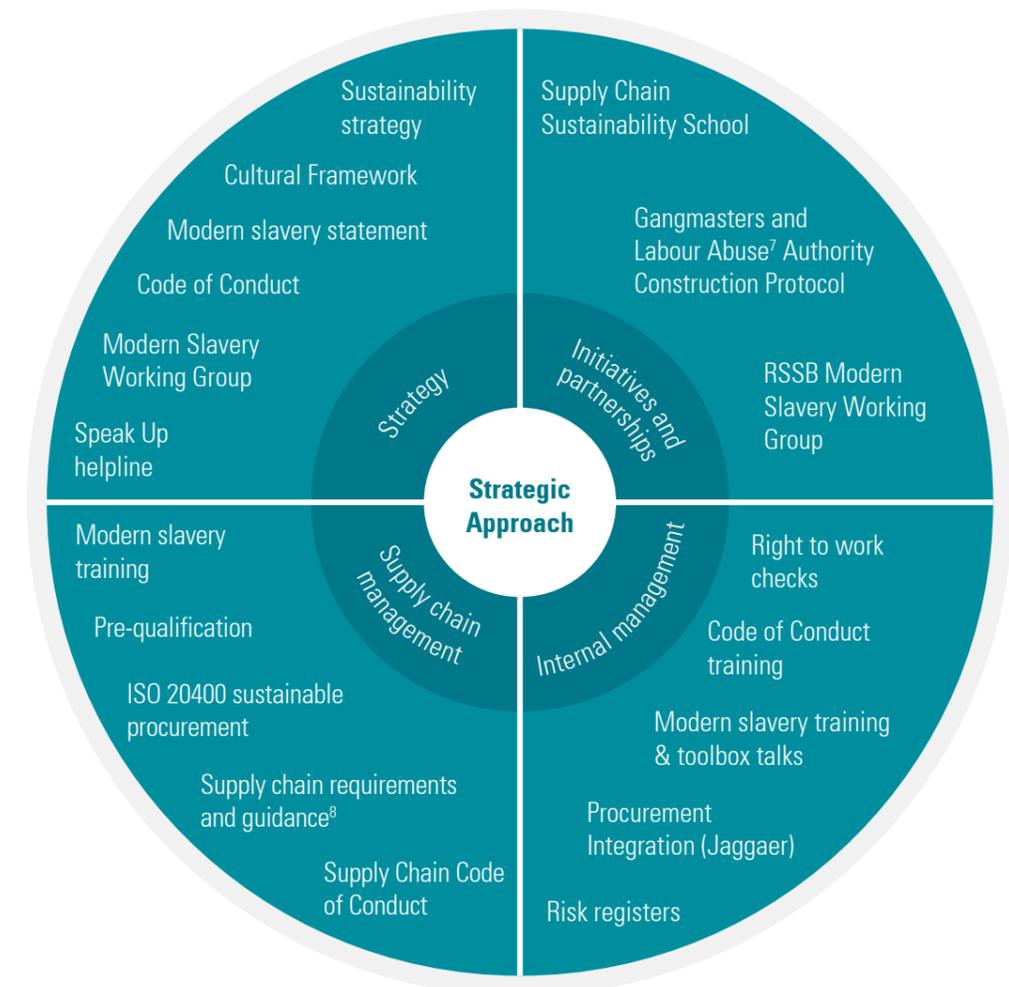
Modern slavery is not something for which there is a single solution. Our approach to tackling it is therefore multi-dimensional and aims to address each of the different elements, from raising awareness of the signs of exploitation and what to do if they are spotted; to setting out clear expectations of those who work with and for us and being clear that we will not work with those who are not committed to rooting it out.

Our strategic approach focusses on the following key, mutually reinforcing elements (more information on each of these points later in the document).

External validation

Balfour Beatty is proud to be a strategic partner to the UK Government and is committed to delivering to the high standards the Government expects. The Government uses a Modern Slavery Assessment tool⁶ (MSAT) to help identify and manage the risks of modern slavery in its supply chain. Balfour Beatty completed the survey to reflect our modern slavery practices in 2019, achieving a score of 86%. Following the assessment, we received tailor-made recommendations to help us shape and improve our approach. This assessment identified that we needed to develop Key Performance Indicators (KPI) for modern slavery. In response, in December

2020, we developed a new KPI, setting a target as part of our new Sustainability Strategy, Building New Futures, that 100% of our supply chain partners regardless of turnover should have a modern slavery statement or equivalent by 2025. We are currently assessing how many have a modern slavery statement and will be using our e-procurement tool Jaggaer and information available from our prequalification process, Constructionline, to track this data. If a supplier is initially unable to comply, we will direct them to materials on the Supply Chain Sustainability School to help them develop their own statement. **(For more information on this, please see pages 13-14 for the section on Management of Supply Chain Risks).**



⁶ <https://supplierregistration.cabinetoffice.gov.uk/msat/#:-:text=Modern%20Slavery%20Assessment%20Tool%20The%20MSAT%20is%20a,of%20exploitation%20of%20workers%20in%20their%20supply%20chains>

⁷ <https://www.gla.gov.uk/>
⁸ <https://www.balfourbeatty.com/media/318214/prc-rm-0007d-modern-slavery-and-labour-exploitation-guidance-for-suppliers-august-2019.pdf>

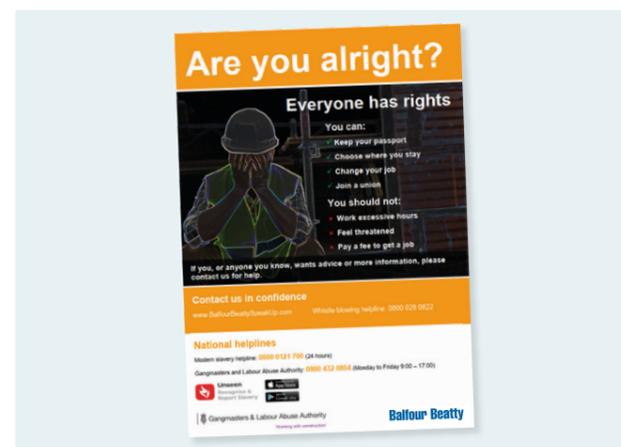
Policies and due diligence

Balfour Beatty aims to implement robust policies and undertake thorough due diligence to minimise the likelihood of modern slavery occurring in our business and our supply chain, and ensure we are working with supply chain partners which share our values.

All of Balfour Beatty's key policies, including Our Code of Conduct⁹, Sustainability, Health and Safety, Sustainable Procurement and Risk management, are available on our external website. Those specifically relevant to our supply chain partners, including our Supply Chain Code of Conduct, Sustainable Procurement Policy Requirements Guidance and Modern Slavery and Labour Exploitation Guidance for Suppliers¹⁰ are also available on our website. These policies are built into our procurement processes and contracts, which require that our supply chain partners agree to commit and comply with them.

For our employees with a Balfour Beatty email, our policies, guidance and training tools are available on our internal SharePoint system.

For those that do not have a Balfour Beatty email address, and for many of our employees and subcontracted workers who are based on sites, communal areas within our site offices are used to display important information for employees, including our policies, in a range of easily-digestible, eye-catching formats. Each week, important notification posters are sent out to sites to highlight issues of key importance, including modern slavery.



Our group policies are signed off by our Group Chief Executive and reviewed annually.

Specific policies with relevance to modern slavery include:

Code of Conduct

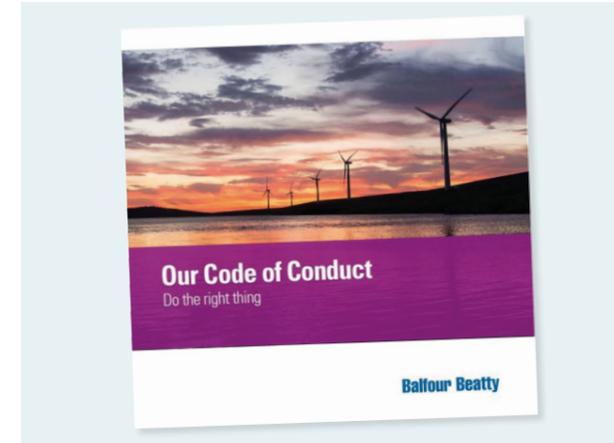
The Balfour Beatty Code of Conduct applies to all employees, supply chain partners and temporary workers at all our business locations around the world and sets out our commitment to work only with third parties whose standards and principles are consistent with our own. The Code of Conduct was updated in 2017 to explicitly cover modern slavery. It is being refreshed in 2021.

Our code prohibits human rights abuses and promotes the United Nations Universal Declaration of Human Rights specifically stating:



Wherever we work in the world we ensure that we do not exploit anyone. We uphold the rights of all those who work for or with us and of the communities in which we operate.

The United Nations Universal Declaration of Human Rights proclaimed certain fundamental rights and freedoms. These include the right to life, liberty and security; equal rights of men and women; the right to protection under the law and against discrimination, slavery, servitude, torture, or inhumane or degrading treatment; and freedom of speech, thought, conscience and religion. We do not tolerate forced, debt bonded, indentured labour practices, or human trafficking. In the UK, we expect every party who we have dealings with to adhere to the principles of the Modern Slavery Act 2015, as we do ourselves.



All employees are required to carry out online training on the Code of Conduct when they join the company and repeat this training every two years. Face-to-face training (where possible) is also provided on specific areas of the code depending upon risk, and video training¹¹ is made available for those based on site. Due to the number of Spanish speaking employees and supply chain partners we have globally, we have also made the Code of Conduct available in Spanish.

We also have a bespoke version of the Code of Conduct for our supply chain partners: our Supplier Code of Conduct¹². This sets out what we expect of all our subcontractors, suppliers and partners, and their supply chain. It makes it clear to our suppliers that we are committed to working only with business partners whose standards are consistent with our own and who respect our principles. This includes joint venture and alliance partners, customers, subcontractors, consultants and all suppliers of goods and services. It also specifies that, when suppliers work with Balfour Beatty, we expect them to demand these same standards of their partners, subcontractors, consultants and suppliers.

Sustainable procurement policy

Our UK Sustainable Procurement Policy¹³ outlines that tackling modern slavery is one of the key strategic priorities on our journey to achieving fully sustainable procurement. It highlights the requirement for our supply chain partners to have a modern slavery statement, or, for companies with a turnover less than £36 million per annum, another document detailing the steps being taken to reduce the likelihood of modern slavery and labour exploitation occurring in their own business and supply chain, by 2025.

The UK Sustainable Procurement Policy and all sustainable procurement processes have been reviewed by Action Sustainability as part of our assessment against the ISO 20400 Sustainable Procurement Standard.

Purchasing and procurement policies

The key principles of our Code of Conduct relating to the supply chain, including those relating to human rights and modern slavery, are included in our Supplier Code of Conduct. This is available on our website and included in contractual agreements.

Our Modern Slavery and Labour Exploitation Guidance and Requirements for Suppliers¹³ sets out our guidance, information and the minimum requirements for our UK supply chain. It includes a list of the highest risk countries of origin based on the Global Slavery Index. Products which are most relevant for our business are highlighted separately, particularly timber and bricks, for example. The high-risk countries of origin are updated when the Global Slavery Index releases new updates to the list of countries most at risk of modern slavery.

This guidance also provides a checklist of criteria for employers to make sure that minimum requirements are in place. The document provides guidance of some of the signs of modern slavery that employers should look out for and includes information about what to do if any of the signs are spotted, including the contact details of the GLAA and Balfour Beatty's Speak Up helpline.

The guidance document is developed by Balfour Beatty's UK Sustainable Procurement team with overall responsibility for it sitting with the UK Procurement and Supply Chain Director.

⁹ <https://www.balfourbeatty.com/how-we-work/our-code-of-conduct/>

¹⁰ <https://www.balfourbeatty.com/how-we-work/supply-chain/important-documents-for-suppliers/>

¹¹ www.balfourbeattycodeofconduct.com/videos

¹² www.balfourbeatty.com/suppliers/supplier-code-of-conduct

¹³ <https://balfourbeatty.com/how-we-work/supply-chain/important-documents-for-suppliers/>

Recruitment policy

Recruitment is one of the frontlines in combatting modern slavery. Having a robust, effective recruitment process is therefore critical. Balfour Beatty has a recruitment policy in place in the UK which outlines mitigations we have in place to prevent the risk of modern slavery in our workforce. For our directly employed employees, central to this is conducting face-to-face checks of an individual's right to work, using original documents. Due to COVID-19 we put in place a contingency plan during 2020 which will be reviewed when the Government guidance on COVID-19 allows the increased use of offices. Under this temporary approach, new workers can email their verification if they do not have the facility to print and physically sign the documents. Additionally, reference checks are asked for which cover the worker's last two years of employment.

We also ensure that the bank account is in the name of the worker, and if it is not, it's for legitimate reasons. Our payroll team conducts a check for multiple accounts, as well as family structures, living at the same address as this could indicate workers are under the control of a gangmaster.

Preventative approaches

Balfour Beatty has been a member of the GLAA's Construction Protocol since 2017. This joint agreement with some of the biggest names in UK construction is aimed at eradicating slavery and labour exploitation in the building industry. All parties have agreed to raise awareness within supply chains to help to prevent and protect workers from exploitation or abuse and take necessary steps to ensure that exploitation and abuse of workers is recognised and addressed with appropriate safeguards put in place to ensure that exploitative practice is not repeated.

Signatories are committed to:

- > Work in partnership to protect vulnerable workers
- > Agree to share information, where possible, to help stop or prevent the exploitation of workers
- > Work together to manage information sensitively and confidentially
- > Commit to raising awareness within the supply chain
- > Maintain momentum through this protocol by communicating regularly

In 2020, we worked closely with the GLAA to develop a pilot to conduct worker checks as part of the induction process **(see page 20 for the Case Study on Old Oak Common)**. This included speaking to investigators from the GLAA to learn what issues they have seen on sites. In 2021, we will host the GLAA investigators at one of our sites so they can see first-hand the checks we are doing and can speak to our security teams.

Awareness raising materials

We have a range of posters, toolbox talks and videos available on modern slavery which are used on UK sites. These have been created by the GLAA Construction Protocol and the Supply Chain Sustainability School. Balfour Beatty is a funding partner and Gold member of the Supply Chain Sustainability School and is also represented on its Board. We support the activities both organisations undertake on modern slavery awareness raising. One of the areas of improvement we have identified for 2021 is to develop posters in different languages ensuring we are communicating effectively with those whose first language is not English, and to locate these posters in 'safe places' such as toilet cubicles.

Management of supply chain risks

To better understand where our supply chain risk lies, we have conducted a heatmapping exercise to identify the most at-risk areas of our UK supply chain. Out of 183 areas of spend, we have identified 22 risk areas based on high-risk countries for labour standards. We have also identified 68 high risk areas for UK Labour Provision. This covers all our subcontract labour, as well as five areas of service provision, namely, cleaning, recruitment, temporary staff, traffic management and waste management. The heatmapping process involved internal experts, suppliers and customers. Our strategic approach has been examined and refined to ensure that mitigations are in place to address these risk areas.

Our UK supply chain partners are required to go through a pre-qualification process on Constructionline – a platform used by the construction industry to manage the supply chain prequalification process - to ensure they have the correct systems and processes in place. Constructionline includes the PAS 91 standard, which is a standardised pre-qualification questionnaire which has been developed by the British Standards Institute (BSI).

In the UK, we ask our supply chain partners questions at tender stage to enable us to assess how sophisticated our supply chain is at managing their own supply chain risks. These questions include:

- > Have they assessed the ethical sourcing risk of the products they provide us?
- > Does the company have a supply chain code of conduct in place?
- > Does the company use recognised ethical sourcing standards such as BES 60001?
- > Does the company have a sustainable procurement policy in place?
- > Is there a programme to improve the competence of their staff on supply chain issues? and
- > Does the company support their supply chain's sustainability competence development?

Supply chain partners who are identified as high risk are asked a greater number of questions in the tendering process to ensure that they have robust mechanisms in place to reduce the risk of modern slavery occurring in their business and supply chain.

a) Materials suppliers

Materials suppliers are required to give details of products sourced, manufactured or produced in high-risk countries of origin as defined by the Global Slavery Index. They are also required to demonstrate regular audits take place to ensure working practices meet the standards and requirements of the United Nations Global Compact, the International Labour Organization and International Labour Standards.

b) Recruitment companies

We have consolidated our contingent workforce recruitment activities to one main provider in the UK. We have given this central labour provider a modern slavery checklist which must be completed by every worker. This checklist was developed in consultation with the GLAA and Stronger Together. Workers confirm:

- > their address
- > that they have a contract of employment
- > they have a bank card in their name
- > that a passport or biometric resident permit has been seen
- > that they have not paid direct or indirect fees to obtain work and
- > that they are aware of their statutory rights.

A check is also conducted to make sure that the bank account details are in the names of the worker. Our labour provider audits the recruitment agencies used to identify if any duplicate bank accounts have been identified, this could be an indicator that a gangmaster may be receiving the worker's wages, rather than the worker. They also check if any duplicate addresses have been found, as a number of employees resident at the same address could also indicate that workers are under the control of a gangmaster. If this is the case, it is investigated to understand if there are reasons for concern. The labour provider's Head of Compliance is made aware of the investigation and will oversee any concerns raised.

c) Subcontractors providing labour

UK subcontractors are expected to undertake checks on all worker documentation, including:

- > the documents are genuine, original and unchanged and belong to the worker
- > the dates for the worker's right to work in the UK haven't expired
- > photos are the same across all documents and look like the worker
- > dates of birth are the same across all documents
- > if two documents give different names, the worker has supporting documents showing why they're different, e.g. a marriage certificate or divorce decree
- > the worker is in possession of their legal documents (passport, identification and their own bank account details) or if these are being held by someone else.

In the UK, all workers should have a written contract of employment and be able to confirm that they have not had to pay any direct or indirect fees to obtain work. They should be paid at least the legal minimum wage and not have wages deducted for accommodation, food or to repay any supposed debt. Workers should be informed of their statutory rights including sick pay, holiday pay and any other benefits they may be entitled to. Additionally, their working hours are monitored.

Supply chain management: Hong Kong

Gammon manage the risk from supply chain operations, by requiring all supply chain partners to complete a questionnaire which includes labour questions and details about where the supplier is based. All suppliers agree to abide by the Gammon Code of Conduct. Gammon works with the suppliers to understand where they are sourcing from and conduct desktop research on the supply chain partners being used. A decision is then made whether a supply chain partner should be audited based on the risk identified and location. Gammon audits include checks for forced and child labour, freedom of association, worker training and health and safety practices. Audits are conducted by Gammon's internal audit team. To get a full understanding of how the supplier operates, the auditors interview the factory managers and review relevant documentation, walk the factory floor to understand the working practices and speak with the workers to understand their working conditions.

Supply chain management: China

The Gammon team have sample audited our brick suppliers in China, as this has been identified as a high-risk sector and country for modern slavery. Similarly, we audited our work uniform supplier in China. No risks for modern slavery were identified in these audits. The timber we purchase is not from high-risk sources for modern slavery and is all Forest Stewardship Council certified. While most of our electronics are sourced from China, we source from blue-chip companies wherever possible to reduce the risk from modern slavery in this sector.

Case Study

Xinjiang human rights issues

In 2020, evidence emerged of widespread human rights violations in Xinjiang, China. Our UK procurement team was concerned about reports of modern slavery which predominantly affected the textiles sector. Although we have low exposure to the textiles sector, we identified a potential risk in our Personal Protective Equipment (PPE) supply chain and took immediate action, contacting our PPE supplier to understand the potential risks our business supply chain was exposed to. The supplier confirmed that an audit had been carried out and one supplier had been discovered in Chile which had subcontractors in Xinjiang. Orders were stopped until a new raw material supplier was in place. For Balfour Beatty, this demonstrated that our priorities were being reflected by our supply chain partner. Our supplier kept us informed of developing areas of risk and acted quickly and effectively to eliminate the risk from the supply chain.



Governance and risk

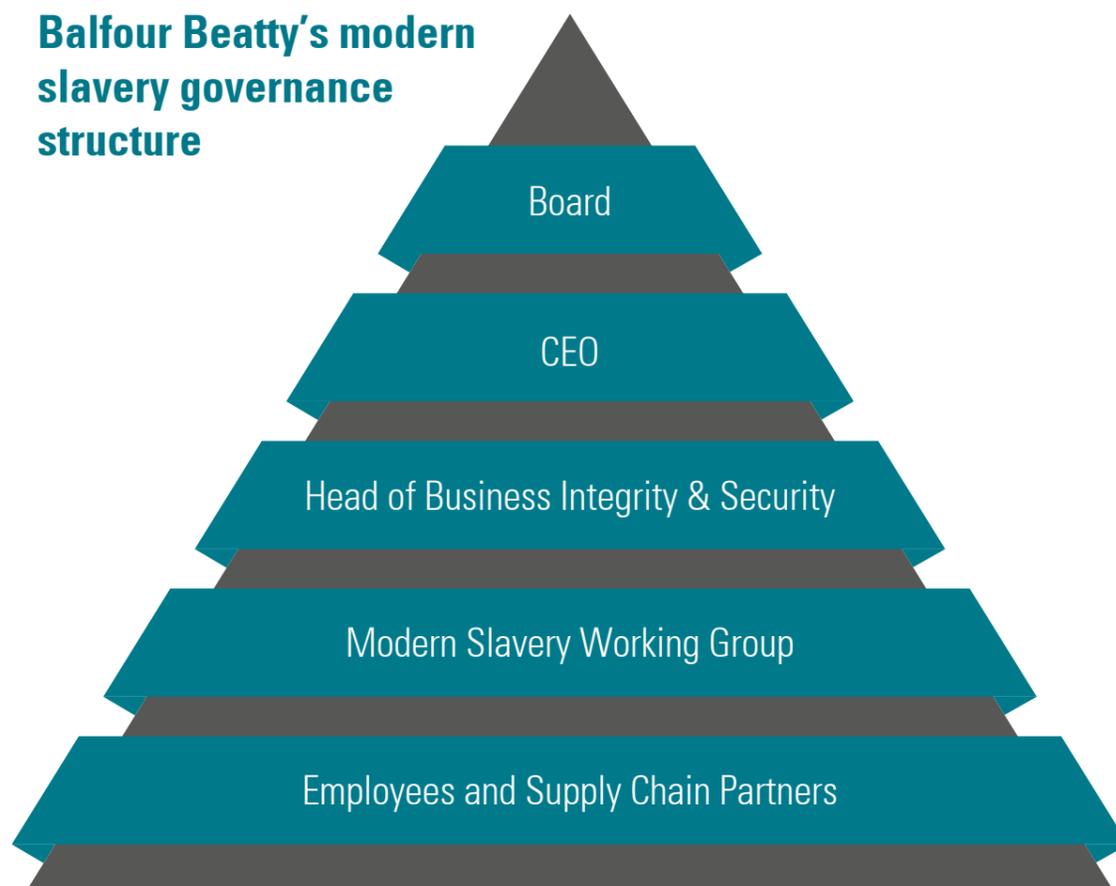
Senior-level ownership and engagement in the issue of modern slavery is critical to addressing it. At Balfour Beatty, our Group Chief Executive and the Balfour Beatty Board has ultimate responsibility for the company's response to modern slavery.

The Board has established procedures to manage risk and oversee the internal control framework. It undertakes a full assessment of the Company's emerging and principal risks biannually, during which it also considers the effectiveness of the risk management and internal control systems including financial, operational and compliance steps that are in place to prevent occurrence or mitigate impacts. All risks, including those relating to modern slavery, are tracked and managed using the group Risk Register, which is part of the group's bespoke risk management software package Intelligent Risk Information System (IRIS).

Specifically in relation to modern slavery, the following areas have been identified as possible risks and are tracked via IRIS:

- > human rights abuses, such as child and other labour standards generally, illegal workers, human trafficking and modern slavery;
- > unethical treatment of and by the supply chain; and/or
- > ethics and values being compromised as a result of commercial pressures.

Balfour Beatty's modern slavery governance structure



The mitigation processes (all outlined in further detail in this document) include:

- > A group-wide Code of Conduct and Supplier Code of Conduct, and related policies are in place, as are relevant procedures and training. These are promoted and monitored by the Business Integrity function with assurance by the group Risk and Audit function
- > The Modern Slavery Working Group provides reports to the Board biannually and has its full support
- > Each business unit, supported by the Business Integrity function, is responsible for embedding the Code of Conduct and the values and behaviours detailed in our cultural framework within its operations
- > The group has a range of operational controls (commercial including procurement, due diligence and risk assessment) that are designed to identify and manage risks internally and with third parties
- > The Speak Up helpline and dedicated email contact are in place and actively promoted
- > All in-scope complaints are independently investigated by the group Risk and Audit function, and appropriate action is taken, where necessary
- > Balfour Beatty works with a limited number of agents, all of whom are, in addition to the group's due diligence and approval process, subject to specific contractual clauses, policies and agreements

The Modern Slavery Working Group provides the strategic direction which underpins Balfour Beatty's approach to combating modern slavery in the UK. The Working Group reviews the material risks to the business and identifies suitable interventions. The group is chaired by the Head of Business Integrity & Security, who reports to the Board.

Other members of the group include senior representatives from our Human Resources, Health, Safety, Environment & Sustainability, Procurement and Supply Chain and Communications functions.

In 2021, the Working Group will be expanded to include representatives from each of our Strategic Business Units. This will allow us to undertake more detailed risk mapping to understand the challenges faced by each business unit and to develop bespoke approaches to them.

Our Code of Conduct, training and other supporting materials highlighted below outline that, while the Group Chief Executive and Board of Balfour Beatty have ultimate responsibility and accountability for modern slavery, it is the collective responsibility of everyone at Balfour Beatty and everyone who works with us. Our workforce and supply chain partners are empowered, encouraged and expected to step up and speak up (**see page 7 information box on Grievance mechanisms for more information**) rather than to turn a blind eye when they see things that are not acceptable.

In the instance that a case of suspected modern slavery is raised, the group Risk and Audit function conduct an initial investigation. Should the investigation uncover any signs of modern slavery, the relevant Government body, the GLAA is contacted to conduct an independent investigation. Balfour Beatty supports with any relevant information to help the GLAA enquiry.

Supply chain risks

UK

We know that key activities, such as the procurement of materials, and the use of subcontractors and recruitment agencies, increase the risk of modern slavery taking place on our sites and within our supply chain.

- > Significant risks in our materials suppliers are that they may be producing in, or using suppliers from, high risk countries for modern slavery and where the enforcement of labour laws is poor, without having good systems and processes to prevent exploitation occurring. Additionally, it is common practice for our subcontractors to purchase materials on our behalf. As a result, we have little oversight of who these suppliers are, where they are sourcing from and what their working practices are.
- > The use of subcontractor workers on our projects raises the risk of modern slavery occurring. They conduct their own worker checks which we do not oversee. A significant risk comes from the industry practice of subcontractors using their own subcontractors to complete certain packages of work, creating additional tiers and complexity. Subcontractors are typically used on a project for a short period of time to complete a defined trade. Therefore, different workers will be on site over the lifespan of the project, making it hard to track where they are from, who employs them and any potential indicators of modern slavery. **(See page 20 for the Case Study on Old Oak Common for information on how we are trialling mitigation measures)** In 2020, Balfour Beatty used 60 recruitment agencies to provide labour. To mitigate the risks, our use of these agencies has been managed via one provider since 2015 who works with other specialist recruitment firms to meet our recruitment requirements. Our principle provider is responsible for ensuring that all the recruitment firms meet our standards and expectations. We have developed the auditing process that they implement, to ensure it covers the key risks of modern slavery. In 2021, we will be working to reduce the number of recruitment agencies we use.

US

The United States ranks among the lowest risk countries in the world with respect to the prevalence of modern slavery incidents according to the Global Slavery Index¹⁴.

The prohibitions against modern slavery included in our Code of Conduct are flowed down to the supply chain by incorporation of the US Supplier Code of Conduct in our lower tier contracts, and further protections are provided through the subcontractor prequalification and third-party due diligence processes¹⁵. Moreover, robust employment verification requirements in the US make the likelihood of modern slavery incidents on our job sites very unlikely.

In 2021, our US businesses are evaluating whether improvements are needed in order to identify or mitigate modern slavery risks in the extended supply chain (e.g. materials specified that are manufactured in higher risk countries).

A Compliance Officer will be recruited in 2021 as a dedicated resource for compliance across the US businesses. Part of the new Compliance Officer's remit will include evaluating existing practices as they relate to modern slavery, recommending any needed improvements to further mitigate the risk.

Case Study

Reducing modern slavery risks in the rail industry

Collaboration to raise awareness and address the risks of modern slavery are a key element of tackling it. In 2020, Balfour Beatty worked as a member of the Rail Safety Standards Board's (RSSB) Modern Slavery Working Group, to produce a good practice guide to managing modern slavery risks for the rail sector. This was published in January 2021 and is available on the RSSB website¹⁶. The guide covers risk management, procurement, training and incident response planning and provides a guide to what modern slavery is, how to spot it and what to do about it.

As a member of the Working Group, we regularly receive updates from the GLAA about new trends and risks for our sector, which we ensure we take account of.



Balfour Beatty have been a key player in helping to develop the 'Good Practice Guide on Managing Modern Slavery Risks' for the rail industry and a revised set of self-assurance questions around modern slavery for the RISQS portal.

Claudia Dommett-Noehren, Lead Social Value Specialist, RSSB



London Bridge station

¹⁴ <https://www.globallslaveryindex.org/>

¹⁵ <https://www.balfourbeattyus.com/Balfour-dev.allata.com/media/content-media/pdfs/Suppliers-Code-of-Conduct-Website-Update.pdf>

¹⁶ <https://www.rssb.co.uk/sustainability/managing-modern-slavery-risks-good-practice-guide>

Case Study

Old Oak Common

Balfour Beatty VINCI SYSTRA is managing the construction and delivery of the new Old Oak Common Station in London. This £1 billion plus project is located in West London and will have a workforce of approximately 2,500 at its peak. The size of the site and the number of workers involved, puts the project at greater risk of exposure to modern slavery. The project team identified and appointed a supplier who can provide passport scanning software to help mitigate the risk.

Balfour Beatty VINCI SYSTRA has been trialling the system at the Old Oak Common Station site since December 2020. As part of the verification process, all workers are requested to bring their identity documents on their first day at site. They must pass the passport verification process to be allowed on site. Additionally, workers are asked to download the "Unseen" app which details the signs of modern slavery. This also demonstrates that they have access to a working mobile phone. This is a vital part of the checklist as not having access to a means of communication or possession of your passport are two key indicators of modern slavery. We will be sharing results from the trial with the GLAA.

To further develop this approach in 2021, we are seeking to implement similar checks on a wider number of sites. This would be integrated into a new site induction system. Integrating it into a tool being used across the business would ensure that more of our projects and their workers receive the checks. Currently we are only planning to do this where we are able to use the group site access control system, but some customers request that different systems are used. Currently, we are not able to integrate modern slavery checks into all site access control systems used.



Old Oak Common station

Training and capacity building

Training is a critical factor in helping to combat modern slavery. Key elements of our training include:

- Balfour Beatty provides awareness raising and training materials which equip UK employees with a level of understanding of the issue, the risks, how to spot the signs, and the mitigations they need to know about. The Balfour Beatty Academy is available to all UK Balfour Beatty employees, includes modules on the Modern Slavery Act 2015, and on Supply Chain Mapping and Modern Slavery. The materials have been adapted to ensure that the needs of different internal audiences are taken into account. In order to boost engagement and ensure that our training is as meaningful and impactful as possible, this area is being reviewed in 2021, with a view to the materials being refreshed.
- The Procurement function in the UK has been identified as an important internal community to receive training on modern slavery, due to its direct relationship with the supply chain. In 2019, face-to-face training on sustainable procurement, including the risks of modern slavery in the supply chain, was rolled out to the Procurement function. In 2020, this training was adapted to an online format, due to restrictions in carrying out face-to-face training. The online module is a requirement for the UK Procurement function and can also be taken by any other function in the business. It covers all of the areas of greatest risk in our supply chain. It reinforces the role that the Procurement function has in reducing the risk of modern slavery in our supply chains.

- The Supply Chain Sustainability School provides a number of targeted resources, webinars and workshops relating to modern slavery in the construction industry which our employees can freely access. We also encourage our supply chain partners to use these resources and actively promote them during presentations and engagement with the supply chain. To date, 3,012 of our supply chain partners are members of the school, representing 36.7% of our total suppliers. Our supply chain partners can become members and access the resources for free.
- For our UK site-based workforce we have developed a range of toolbox talks and posters. During 2020 we identified that more training is required for our site-based workforce. Therefore, as part of a new Environment and Sustainability Site Awareness course to be launched in 2021 we have included a module on Sustainable Procurement which covers modern slavery. This includes the signs of modern slavery, how to report modern slavery and details of the Speak Up helpline.

We have identified that the Human Resources and Commercial teams have an important role to play in reducing modern slavery. We will identify additional training opportunities for these teams in 2021.

Looking ahead - next steps in mitigating modern slavery 2021 - 2022

Balfour Beatty acknowledges that there is still a long way to go to tackle modern slavery in our own operations and those of our supply chain partners. It will require sustained effort, an unswerving focus on strengthening our approach.

The steps we will be taking in 2021 – 2022 to strengthen our approach include:

- > Enhancing the membership of the Modern Slavery Working Group to include representation from Strategic Business Units to enable a greater understanding of the different requirements of each of the business units. The Working Group will assess the effectiveness of the strategic approach and formalise it in a group Modern Slavery Strategy
- > Evaluating whether improvements are needed in order to identify or mitigate modern slavery risks in our overseas subsidiaries, including in the US supply chain (e.g. materials specified that are manufactured in higher risk countries)
- > Appointing a Compliance Officer in the US and moving the responsibility for case management and investigation into cases raised through the Speak Up helpline, to the group Risk Audit and Quality function

Reviewing training on modern slavery:

- > Refreshing e-learning materials on modern slavery available on Balfour Beatty academy
- > Including a module in the Balfour Beatty induction process
- > Launching a new Environment and Sustainability Site Awareness course which includes a module on Sustainable Procurement (covering modern slavery)
- > Identifying additional training opportunities for the Human Resources and Commercial teams, due the key role they play in reducing modern slavery
- > Integrating modern slavery checks into our site access control points for third-party workers
- > Developing posters targeted at our onsite workforce in a wider range of languages and locating them in 'safe places' by the end of 2021
- > Introducing a quarterly review of Constructionline's data available on our supply chain's modern slavery approach
- > Ongoing work with and monitoring of our supply chain partners to ensure that 100% of them have a modern slavery statement by 2025
- > Use of the Supply Chain Sustainability School learning pathway on modern slavery to support supplier knowledge in this area
- > Reviewing and refreshing our Code of Conduct to ensure it is up to date and fit for purpose.

Appendix 1: Balfour Beatty Subsidiaries UK

43 Details of related undertakings of Balfour Beatty plc as at 31 December 2020

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates and joint ventures, including the principal activity, the country of incorporation and the effective percentage of equity owned as at 31 December 2020 is disclosed below. Unless otherwise stated, all interests are in the ordinary share capital or shares of common stock in the entity and are held indirectly by the Company, and all entities operate principally in their country of incorporation. All subsidiaries had a reporting period ended 31 December 2020 and are wholly owned and consolidated into the Group's results, except where indicated.

Subsidiary undertakings incorporated in the United Kingdom

| Entity | Principal activity | Entity | Principal activity |
|---|-----------------------------------|--|-----------------------------------|
| 350 Euston Road, Regent's Place, London NW1 3AX | | | |
| Aberystwyth Student Accommodation Ltd | Infrastructure concession | Balfour Beatty Const Ltd | Agent of Balfour Beatty Group Ltd |
| Balfour Beatty Fire and Rescue NW Holdings Ltd | Investment holding company | Balfour Beatty Construction (SW) Ltd | Agent of Balfour Beatty Group Ltd |
| Balfour Beatty Fire and Rescue NW Intermediate Ltd | Infrastructure concession | Balfour Beatty Construction International Ltd | Agent of Balfour Beatty Group Ltd |
| Balfour Beatty Fire and Rescue NW Ltd | Infrastructure concession | Balfour Beatty Construction Northern Ltd | Agent of Balfour Beatty Group Ltd |
| Balfour Beatty Infrastructure Investments Ltd ⁽ⁱ⁾ | Investment holding company | Balfour Beatty Engineering Services (HY) Ltd | Agent of Balfour Beatty Group Ltd |
| Balfour Beatty Infrastructure Partners Member Ltd | Investment holding company | Balfour Beatty Group Employment Ltd | Employer for UK workforce |
| Balfour Beatty Infrastructure Projects Investments Ltd | Investment holding company | Balfour Beatty Group Ltd | Construction and support services |
| Balfour Beatty Investments Ltd | Agent of Balfour Beatty Group Ltd | Balfour Beatty Homes Ltd | Agent of Manring Homes Ltd |
| Balfour Beatty OFTO Holdings Ltd | Investment holding company | Balfour Beatty International Ltd | Agent of Balfour Beatty Group Ltd |
| BBI Holdings Australia Ltd | Investment holding company | Balfour Beatty Investment Holdings Ltd ⁽ⁱⁱ⁾ | Investment holding company |
| BBPF LLP ⁽ⁱⁱⁱ⁾ | Investment partnership | Balfour Beatty Management Ltd | Agent of Balfour Beatty Group Ltd |
| Connect Roads Derby Holdings Ltd | Investment holding company | Balfour Beatty Nominees Ltd | Nominee company |
| Connect Roads Derby Ltd | Infrastructure concession | Balfour Beatty Overseas Investments Ltd | Investment holding company |
| Connect Roads Infrastructure Investments Ltd | Investment holding company | Balfour Beatty Overseas Ltd | Investment holding company |
| Consort Healthcare Infrastructure Investments Ltd | Investment holding company | Balfour Beatty Property Ltd ⁽ⁱ⁾ | Agent of Balfour Beatty plc |
| East Slope Residencies Facilities Management Ltd | Infrastructure concession | Balfour Beatty Rail Infrastructure Services Ltd | Agent of Balfour Beatty Group Ltd |
| East Slope Residencies Holdings Ltd | Investment holding company | Balfour Beatty Rail Ltd | Agent of Balfour Beatty Group Ltd |
| East Slope Residencies Partner Ltd | Infrastructure concession | Balfour Beatty Rail Projects Ltd | Agent of Balfour Beatty Group Ltd |
| East Slope Residencies plc ⁽ⁱⁱ⁾ | Infrastructure concession | Balfour Beatty Rail Technologies Ltd | Agent of Balfour Beatty Group Ltd |
| East Slope Residencies Student Accommodation LLP ⁽ⁱⁱⁱ⁾ | Infrastructure concession | Balfour Beatty Rail Track Systems Ltd | Agent of Balfour Beatty Group Ltd |
| Education Investments Holdings Ltd | Investment holding company | Balfour Beatty Refurbishment Ltd | Agent of Balfour Beatty Group Ltd |
| Initial GP1 Ltd | Investment holding company | Balfour Beatty Regional Construction Ltd | Agent of Balfour Beatty Group Ltd |
| Manchester Residences (New Cross) Ltd | Infrastructure concession | Balfour Beatty Utility Solutions Ltd | Agent of Balfour Beatty Group Ltd |
| South Cambridgeshire Investments Holdings Ltd | Investment holding company | Balfour Kilpatrick Ltd | Dormant |
| West Stratford Developments Ltd ^(iv) | Investment holding company | BB Indonesia Ltd | Support services |
| 5 Churchill Place, Canary Wharf, London E14 5HU | | | |
| Avatar Ltd | Dormant | Balvac Ltd | Agent of Balfour Beatty Group Ltd |
| Balfour Beatty Build Ltd | Agent of Balfour Beatty Group Ltd | Bical Construction Ltd | Agent of Balfour Beatty Group Ltd |
| Balfour Beatty Building Ltd | Agent of Balfour Beatty Group Ltd | Bignell & Associates Ltd | Agent of Balfour Beatty Group Ltd |
| Balfour Beatty CE Ltd | Agent of Balfour Beatty Group Ltd | Birse Group Ltd | Investment holding company |
| Balfour Beatty Civil Engineering (SW) Ltd | Agent of Balfour Beatty Group Ltd | Birse Metro Ltd | Dormant |
| Balfour Beatty Civil Engineering Ltd | Agent of Balfour Beatty Group Ltd | Bnoms Ltd ⁽ⁱ⁾ | Nominee company |
| Balfour Beatty Civils Ltd | Agent of Balfour Beatty Group Ltd | BPH Equipment Ltd | Agent of Balfour Beatty Group Ltd |
| | | Cowlin Group Ltd | Dormant |

Balfour Beatty

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