



Gender Pay Gap Report 2022

March 2023

Balfour Beatty

Foreword

Balfour Beatty's focus on diversity and inclusion is starting to yield results. Women now make up over 20% of our UK workforce and 24% of our early-careers employees, helping us build a strong pipeline of female talent and supporting us in achieving our aim of ensuring that our workforce is truly diverse and representative of the communities we serve.

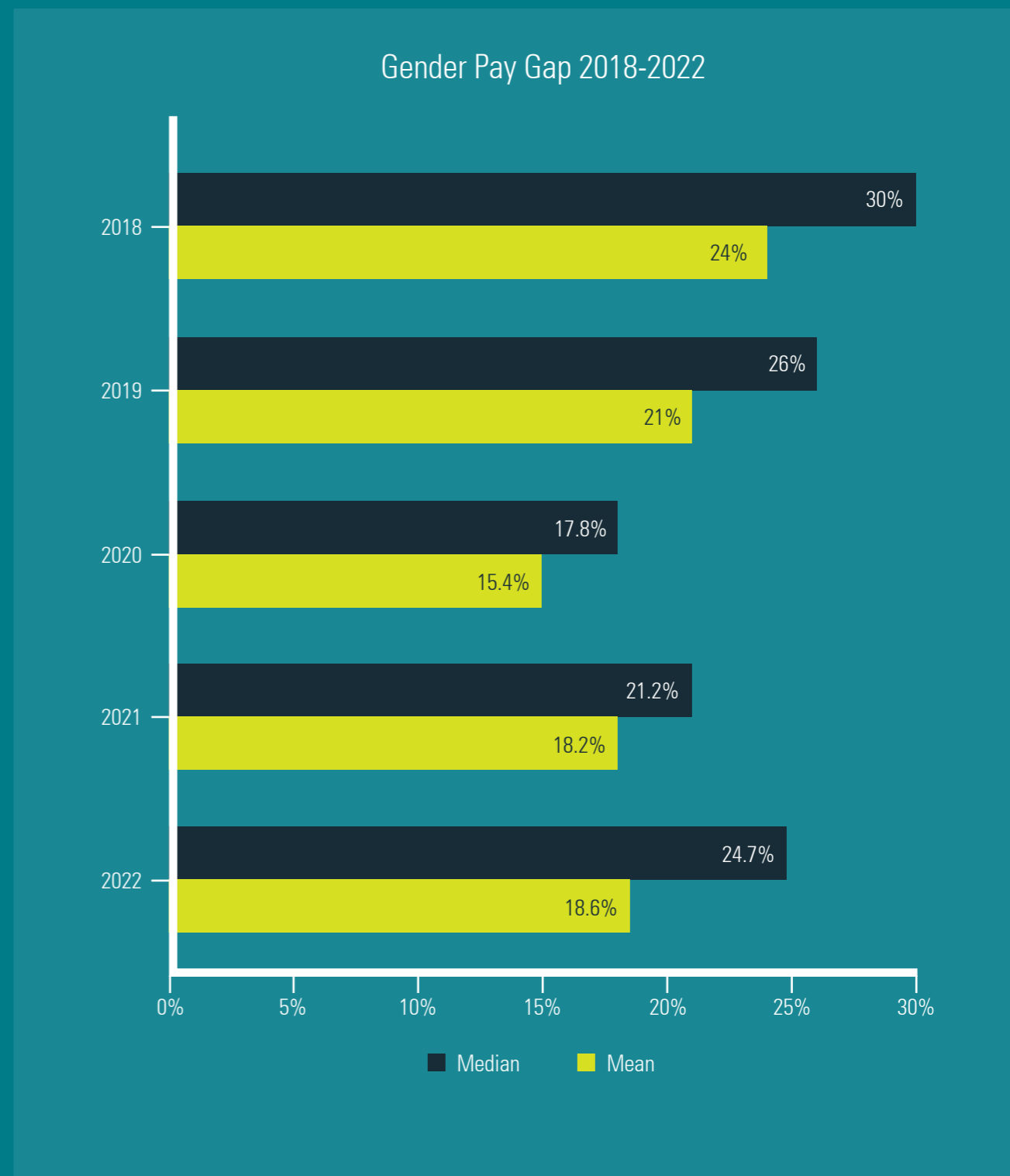
However, while our gender pay gap remains smaller than in our first report in 2018 we have seen a slight widening this year versus last year. Our figures show that we have more work to do.

The increase is partly driven by our success in attracting more women into the construction and infrastructure sector into 'earn and learn' roles including apprentices, trainees and graduates, where pay is lower. This skews the figures in the short term but is the right thing to do for the future of our business and the industry. The improvements we have made and the progress we are making will take time to have a tangible impact on our gender pay gap.

Balfour Beatty will continue to invest in improving inclusivity and diversity across our business. Improvements such as last year's enhancement to our family friendly policies including Company maternity pay and our 'Right to Respect' programme which we are rolling out across our UK business this year to help develop a shared understanding of where the boundaries are in what we say and how we act, and how to challenge unacceptable behaviour when we see it.

I am passionate about building an inclusive culture at Balfour Beatty: one where everyone feels supported and empowered to achieve their full potential. Balfour Beatty's commitment to diversity, inclusion and fairness in the workplace is unwavering and we are confident that our efforts to embed a diverse and inclusive culture will bear fruit over the long term.

Leo Quinn
Group Chief Executive
Balfour Beatty



The Gender Pay Regulations

Since April 2017, companies employing over 250 individuals have been obligated under the Gender Pay Gap Regulations, to annually disclose information regarding their gender pay disparity.

The gender pay gap is a representation of the gender balance within an organisation and calculates the average earnings difference between male and female employees, regardless of their role or seniority. The Equality and Human Rights Commission (EHRC) is responsible for enforcing these regulations, and all submitted data is publicly accessible on the UK Government website to promote economy-wide transparency and encourage improvement.

Balfour Beatty supports the Government's efforts to raise awareness about this important issue. We continue to scrutinise our gender pay gap data and build on the annual insights the data provides to help close our gender pay gap. We take transparency around our gender pay gap seriously and see it as an important part of maintaining momentum.

Balfour Beatty makes no distinction on any grounds of gender, race, sexuality or religious beliefs. We are confident that we pay employees fairly for the roles they undertake. We always recruit the best person for the role, regardless of gender and our robust controls help to ensure that all pay and reward decisions are based on fairness and consistency.

The data used in the gender pay gap calculation is taken from the closest pay to the week including the snapshot date (5 April 2022) for monthly payroll and for weekly paid colleagues.

Due to the profile of our workforce, changes in this profile year-on-year, and the way we pay many employees, actual pay might fluctuate. This can have an impact on the calculations.



Balfour Beatty Group Employment Limited Gender Pay Data

Mean and median gender pay gap

Mean
18.6%
Median
24.7%

Mean and median gender bonus gap

Mean
-0.7%
Median
-5.8%

Defining the terminology

Median pay gap

The median pay gap is the disparity in salaries between the middle-ranking woman and the middle-ranking man in an organisation. To determine the median pay gap, all the men and women working at a company are organised into two 'lines' in order of salary, the median pay gap is the difference in salary between the woman in the middle of her line and the man in the middle of his.

Mean pay gap

The mean pay gap, on the other hand, is determined by comparing the total amount spent on wages for women and men in a company. The calculation is performed by dividing the total calculated wage bill for each gender by the number of employees in that gender category within the organisation.

Pay gap v equal pay

There is often confusion between the gender pay gap and equal pay. The gender pay gap refers to the overall difference in earnings between men and women in a company, while equal pay refers to the legal obligation to pay men and women the same amount for doing the same job, as mandated by the Equality Act 2010. At Balfour Beatty, equal pay is a priority and both males and females are paid the same for equivalent work.

Gender identity

According to UK Government regulations, all our employees must be categorised as male or female for the purposes of gender pay reporting. At Balfour Beatty, we recognise that not all colleagues identify as male or female. While this narrative and the data it is based on focuses only on the binary definition of gender, we are committed to supporting non-binary colleagues. With the guidance of our LGBTQ+ Affinity Network, we aim to provide a supportive, open and inclusive work environment where all our colleagues feel able to be themselves, regardless of sexual orientation or gender identity.



A14 Cambridge to Huntingdon improvement scheme

Understanding Our Data

Construction continues to report one of the widest and most persistent gender pay gaps of any sector, with a gap in the 2021-22 financial year of 23.7% according to analysis by the CIPD, far higher than the national, economy-wide average of 15.1%¹.

We know that this pay gap can be attributed to a number of factors including the under representation of women in higher-paying roles within the industry, and the comparatively low numbers of women that work in the sector overall.

There is a particular shortage of females in senior operational roles across the sector, including in Balfour Beatty. According to Go Construct², women make up 14% of the construction workforce in the UK, and a considerable proportion of those are employed in lower-paid roles, such as administrative or support roles or entry level positions including apprenticeships. Although there is still a long way to go, Balfour Beatty's own figures are above this at 20% and are seeing an upward trend.

Our analysis demonstrates that our strategy of attracting more females into the business in early careers roles to ensure a strong pipeline of talented women coming into the business will initially have a negative effect on the pay gap, increasing it by 1-2%. However, it is a positive sign that more women are entering the industry and it is important to understand that this is a short-term issue. Our strategy aims to progress these women through the business and over time this approach will have the positive effect of reducing our pay gap as women progress through the company and move into higher-paying positions.

It is important to note that while these factors contribute to Balfour Beatty's gender pay gap, they do not fully explain it. To better understand the root causes influencing the slight widening of our pay gap, we conducted a full analysis of the data. This showed that the biggest factor influencing the change in the median pay gap calculation was the regular earnings of the weekly paid 'operative' population, consisting of c.2,300, majority male, employees who typically work away from home for periods of time and may be eligible as part of their regular earnings for payments in addition to basic earnings such as shift rates allowances and subsistence relating to their working circumstances. These are included in the 'snapshot' pay gap calculation.

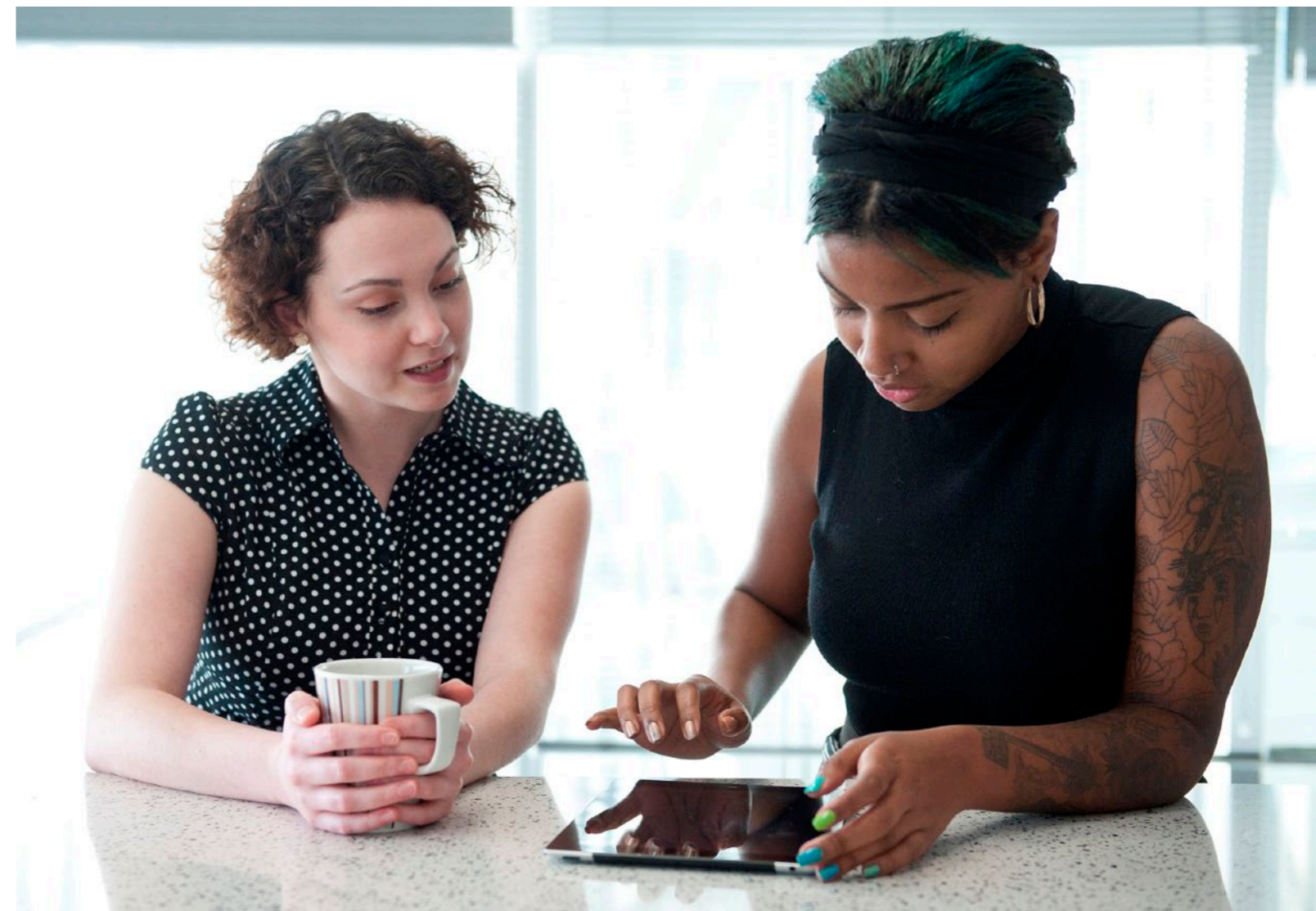
Our analysis showed an increased number of 'weekly paid' employees in the 2022 snapshot and a higher earnings profile. This compared to 2021 which included an ongoing COVID-related impact, with lower earnings amongst this population in 2021 due to a proportion of the population receiving furlough pay at the time and an associated temporary reduction in subsistence and allowances in payment due to the COVID restrictions. This year's weekly paid population represents a return to normal, with a higher level of allowances and other benefits in payment.

To understand the impact of these differences, we re-ran the calculations with 'weekly paid' earnings held at 2021 levels. The results showed that the mean and median pay gap remained broadly the same as the previous year, demonstrating that the 'weekly paid' population earnings profile was a major contributor to the increase in the gender pay gap year-on-year.

We also undertook extensive modelling and analysis on the potential impact of changing gender and pay dynamics across different grades, to better understand the impact of hypothetical changes on the gender pay gap. Our findings showed that to achieve significant reductions in the pay gap, a sizeable increase in female representation across multiple grades, particularly middle and higher pay grades, would be required. An increase in female representation to 25% at all the most senior levels in the business, for example, would only reduce the median pay gap by 6% and the mean gap by 9%. This would involve recruiting over 200 women across these senior grades in the next year. Unfortunately, the pool of qualified senior female candidates in the sector is limited, due to the historic structural issues in the construction and infrastructure industry, particularly in terms of operational roles. This is why addressing these structural issues, focussing on creating a more inclusive and welcoming

workplace culture, and creating a supportive environment where women can succeed and progress are at the heart of our strategy. However, we will intensify our strategy to place females into senior positions and to operational construction roles, as this is the right thing to do. We will also continue to try and increase our recruitment of female apprentices and graduates to ensure we have a strong future pipeline of talented women making their way up through the business.

Balfour Beatty's approach is to target improving diversity and inclusion, rather than specifically to narrow the gender pay gap. Our view is that our approach will deliver a reduced gender pay gap over time, but critically that it will do so more sustainably than specifically targeting the gender pay gap.



¹ www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2022

² <https://www.goconstruct.org/why-choose-construction/diversity-in-construction/women-in-construction/>

Direct Action and Strategic Partnerships

Balfour Beatty is taking proactive measures to promote diversity and inclusion in the workplace by implementing a series of targeted initiatives and working closely with external organisations that specialise in this area. Our aim is to help foster an inclusive culture and create a more diverse and equitable workplace.

We continue to challenge ourselves to achieve an inclusive culture and greater diversity at Balfour Beatty. We are taking specific action right across our business to improve our diversity and inclusion policies, so that every one of our colleagues feels they are valued, and their contribution is recognised:

- ▶ Given that childcare and other caring responsibilities are one of the most-cited factors in explaining the gender pay gap, in 2021 we brought in our 'Smart Working' approach to help our employees juggle work and family life. Covering all the career stages, this considers arrangements and flexibility to meet employee needs such as staggered start and finish times, and where roles allow, the opportunity to work remotely 40% of the time. We were pleased that 76% of those who responded to the 2022 UK Employee Engagement Survey said that this gives them the flexibility to work when and where they need to perform at their best.

- ▶ In 2022, we also updated our 'family friendly' policies. We want everyone to feel supported through important life events which for some, includes starting or growing a family. All our colleagues, regardless of when they join us are entitled to 28 weeks full pay maternity/adoption leave, four weeks full pay paternity/partners leave and up to 28 weeks paid shared parental leave. We also provide paid time off to attend fertility treatment appointments and extra leave if an employee's child needs neo-natal care. Our flexible working offering and family benefits are available to all employees.
- ▶ In 2022, we have been piloting a 'Right to Respect' campaign across five projects and the Communications Function in the UK with a view to rolling it out across the Balfour Beatty Group in 2023. Developed over 12 months, the campaign, which includes awareness sessions on 'banter' and challenging inappropriate behaviour, aims to make sure we are all doing our utmost to create a working environment that is built on respect. As a company that prides itself on progressively building a diverse and inclusive culture, it is important that we make it clear the behaviour we welcome and what is unacceptable through engaging our people and supply chain partners and supporting them with clear expectations.
- ▶ Female employees are very positively engaged within our UK business. Our 2022 engagement index score for females was 85%, 7% above the overall UK employee engagement index (78%). 68% of UK respondents said that they see us taking positive action towards improving diversity and inclusion at Balfour Beatty (this is the first time we have asked that question, so we are not able to see a trend). While this is a positive figure, there is clearly more work to be done, but we are confident that as we continue to implement our strategy, this figure will increase. These results demonstrate Balfour Beatty's commitment to supporting our employees and creating an inclusive culture.

- ▶ Our caring and inclusion strategies have earned Balfour Beatty a number of awards across the Group. In the UK, we were proud to be awarded Menopause Friendly Employer accreditation - one of only 30 UK employers to achieve this status and the only one in the construction industry.
- ▶ 'Growing our Own' is core to Balfour Beatty's talent and resourcing strategy. 43% of promotions into our most senior grades went to women in the past year. We invest significant effort in identifying and developing people for succession into Managing Director roles, with women making up 28% of those in our Managing Director succession pool and a larger number identified as 'HiPotential'.
- ▶ In 2022, we published a new set of ambitious high-level 2030 UK diversity and inclusion targets to accelerate the pace of change, including increasing the number of female colleagues by 50% by 2030 against a baseline of December 2021. We are working to achieve 40% females at Board and Senior Leadership Teams level (in-line with the FTSE Women Leaders Review) and one minority ethnic Director on the board by end of 2024 (in-line with the Parker report recommendations). These are underpinned by more granular internal targets and action plans. Our targets, when achieved, will help us to better reflect the communities in which we are working and enrich the organisation with the diversity of thought, perspectives and innovation that a more diverse workforce will bring. Progress against these targets is formally reported to the Board and Executive Committee and we will update on them in our Annual Report.
- ▶ We have five employee-led Affinity Networks that help us to build understanding in all areas of diversity and inclusion, and to make meaningful change in the medium to long term. These are: LGBTQ+; Multi-Cultural; Ability; Gender; and Neurodiversity. They help to formulate action plans for us to help promote a more inclusive workplace that enables innovation, understanding and harmony.

- ▶ The Group's Affinity Networks continue to grow, with 1,275 members in the UK acting as a collective voice to raise awareness of issues for diverse groups across the business, helping to shape our approaches to ensure inclusivity. In 2022 for example, the Gender Affinity Network introduced a female mentoring scheme to create connections between women at Balfour Beatty and increase the visibility of senior women across the business. Our UK affinity networks were delighted to be shortlisted for two awards in recognition of their success in raising awareness for diverse groups.
- ▶ Our Gender Affinity Network has been a driving force behind important initiatives including our partnership with the Hey Girls³ social enterprise. Hey Girls aims to end period poverty and to address the stigma associated with periods, which is contrary to an inclusive environment. By partnering with Hey Girls we want to create the most welcoming, inclusive environment for both our staff and those visiting our sites, as well as tackling period poverty more broadly. The Network is also helping to drive improvement in our welfare facilities to ensure they are as inclusive as possible.
- ▶ We are proud of our continuing focus on areas that affect our employees, including domestic abuse, menopause, bereavement and baby loss: providing tangible, targeted policy support; talking openly, respectfully and supportively about these issues, which impact many of our colleagues; and undertaking a range of activities to raise awareness, including 'Lunch and Learn' sessions.

³ <https://www.heygirls.co.uk/>

- ▶ In 2023 we will begin to measure our progress through the Clear Assured Global Inclusion Standard accreditation. We also aim to raise our status from a Disability Confident Employer to Leader by 2024 and maintain our Menopause Friendly Employer accreditation achieved in 2022.
- ▶ Inspiring the next generation to join our industry is a focus across all our core geographies, seeing us participate in a wide range of events and programmes to ensure Balfour Beatty and our industry stands as a destination for enriching careers which leave a lasting legacy. In the UK in 2022, 409 Graduates, Apprentices, Industrial Placements and Summer Placements joined our business. This included:
 - 158 Graduates, of which 32% were female
 - 150 Apprentices, of which 23% were female
 - 50 Industrial and 51 Summer Placements (34% and 41% female respectively)
- ▶ We also speak to and inspire students through school outreach and college engagement, to showcase the wide range of careers in the sector and improve the image of the sector. Many of our projects undertake this outreach in the schools and colleges around our schemes and a number of our colleagues act as either STEM Ambassadors – working with pupils through STEM Learning⁴ to help promote careers in engineering – or Enterprise Advisors – working with school staff. 36% of these are female ambassadors, going into schools as role models to ensure that the sector is seen as a welcoming place for women. Our Sustainability Strategy, “Building New Futures,” pledges to increase STEM Ambassadors from 327 to 1,000 by 2025. Apprentices engage with schools through community activity, while graduates work with young people through charity and social enterprise partners to reach groups. At any given time, there are 30-35 groups of apprentices and graduates working on these initiatives across the UK.
- ▶ We were delighted to retain Gold Membership of The 5% Club in its Employer Audit for 2022-2023, with 6.6% of UK employees in earn and learn positions. We also placed 23rd in the Top 100 Apprentice Employers by RateMyApprenticeship for 2022-2023.
- ▶ In 2022, in the UK, we launched our new employee careers site to improve internal mobility by giving our employees greater visibility of the opportunities for progression across the Group. This has been supported with a change programme and campaign, to develop the environment where employees can shape their career at Balfour Beatty. 2.37% of employees moved across Strategic Business Units (SBUs) supporting both career progression and the retention of skills within the Group.

⁴ <https://www.stem.org.uk/>

Ethnic Minority Pay Gap Data

Balfour Beatty is committed to advancing diversity and inclusion within our business and the wider industry.

Over the past 18 months, we have been working to improve the accuracy of data relating to the ethnicity of our workforce. This involved updating employee records and, in the absence of official Government guidance, using a similar methodology to calculate the pay gap we use for the Gender Pay Gap Report.

The collected data will be used to inform and shape our overall strategy and plans for diversity and inclusion.



Littlebrook substation, Dartford

Conclusion

Balfour Beatty is dedicated to building a diverse and inclusive workplace culture and is proud to have a growing representation of women in its workforce.

Although progress has been made, we know that there is still much work to be done to reduce the gender pay gap. This remains a challenge for the entire construction and infrastructure industry.

Nevertheless, Balfour Beatty remains committed to its goal of creating a supportive and empowering work environment where every colleague can thrive. The journey towards achieving this goal will take time and effort, but we are confident that our focus on diversity and inclusion will ultimately lead to a more inclusive, diverse workplace, and a reduced gender pay gap.



About Balfour Beatty

Balfour Beatty is a leading international infrastructure group with over 25,000 employees – 12,000 of them in the UK – driving the delivery of powerful new solutions, shaping thinking, creating skylines and inspiring a new generation of talent to be the change-makers of tomorrow.

We finance, develop, build, maintain and operate the increasingly complex and critical infrastructure that supports national economies and deliver projects at the heart of local communities

Over the last 114 years we have created iconic buildings and infrastructure all over the world. Currently, we are working to deliver Hinkley Point C, the first UK nuclear power station in a generation; constructing the world-class arts and cultural facility, the Lyric Theatre, in Hong Kong; and designing, building, financing, operating and maintaining the Automated People Mover superstructure at the fifth busiest airport in the world, Los Angeles International Airport.



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