

## **BALFOUR BEATTY plc**

### **BOARD COMMITTEES**

#### **4. REMUNERATION COMMITTEE**

##### **1. Membership**

- 1.1 The Committee shall be appointed by the Board and its membership shall be as set out in the Board Committee Membership Schedule. The Committee shall comprise of not less than three members.
- 1.2 All members of the Committee shall be independent Non-Executive Directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
- 1.3 The Chief Executive and the Human Resources Director shall normally attend at the invitation of the Committee.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, so long as members continue to be independent.
- 1.5 The Board shall appoint the Chairman of the Committee who shall be an independent Non-Executive Director. The Chairman of the Company shall not be eligible to be appointed as Chairman of the Committee. In the absence of the Chairman of the Committee and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

##### **2. Secretary**

The Secretary of the Company (or their nominee) shall be Secretary of the Committee.

##### **3. Quorum**

The quorum necessary for the transaction of business shall be two.

##### **4. Frequency of Meetings**

The Committee shall meet at such times as the Chairman of the Committee shall require.

##### **5. Notice of Meetings**

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Chairman of the Committee or any of its members.

- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be provided to each member of the Committee and any other person required to attend no fewer than three working days (if practicable) prior to the date of the meeting. Supporting papers shall be sent to members of the Committee and to other attendees as appropriate, at the same time.

6. **Minutes of Meetings**

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The Chairman shall ensure that, in the event of any conflicts of interest being noted, appropriate control measures are taken in the way such conflicts are managed at that meeting.
- 6.3 Minutes of the Committee meeting shall be circulated to the Committee (unless a conflict of interest exists) and to all members of the Board, save for any part of the minutes that records a discussion of their remuneration.

7. **Annual General Meeting**

The Chairman of the Committee shall attend the Annual General Meeting of the Company and shall respond to any shareholder questions on the Committee's activities and responsibilities.

8. **Duties**

- 8.1 The Committee shall:
- 8.1.1 monitor the overall remuneration strategy of the Company and consider the effectiveness of the recruitment and retention of high calibre individuals so that the Company performs to its potential and increases shareholder value.
- 8.1.2 determine and recommend to the Board the broad policy for the remuneration of the Chairman of the Company and the Executive Directors. In determining such policy the Committee will:
- (i) ensure an appropriate balance is achieved between basic salaries, other conditions of service and performance-related incentive arrangements ensuring that performance-related elements form an important part of the total remuneration package and should be designed to align the Directors' interests with those of shareholders and to give the Directors challenging incentives to perform at the highest levels;

- (ii) commission comparative remuneration studies as and when it considers this to be necessary but will not base its decisions solely on such information. The Committee will be sensitive to the wider scene;
- (iii) within the terms of the agreed policy:
  - (a) determine the total individual remuneration package of the Chairman of the Company and each Executive Director including, where appropriate, annual awards, long term incentive plan and share options;
  - (b) determine the policy for and scope of pension arrangements, service agreements for the Executive Directors, termination payments applicable thereto, and any other conditions of service;
  - (c) approve in advance the remuneration and other conditions of service to be offered to newly appointed Executive Directors, and to liaise with the Nomination Committee in this respect;
  - (d) determine award levels and targets for any performance-related pay schemes for Executive Directors operated by the Company and request the Board, when appropriate, to seek shareholder approval for any long term incentive arrangements; and
  - (e) review the terms of Executive Directors' service agreements from time to time.

In determining individual remuneration packages and arrangements, the Committee shall give due regard to the comments and recommendations of the Combined Code as well as the general duties of Directors set out in the Companies Act 2006 and the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules.

- 8.1.3 Consider and approve the proposed remuneration package of any manager within the Group who is not an Executive Director of the Company and whose proposed maximum remuneration, when taken as a whole, could exceed the maximum remuneration of an Executive Director of the Company in any year. For reasons of practicality, the Committee may delegate such consideration and approval to its Chairman, with any such approvals being subsequently reported to the Committee.

- 8.1.4 Exercise on behalf of the Board, any discretions granted to the Board under the rules of any share option or share incentive scheme (whether short or long term) from time to time established by the Company and liaise with the trustee of any employee share scheme.
  - 8.1.5 Lay down procedures from time to time for the reimbursement of any Directors' claims for expenses.
  - 8.1.6 Ensure that provisions regarding disclosure of remuneration in the Directors' Report and Accounts, including pensions, are fulfilled.
- 8.2 The Committee shall give due consideration to laws and regulations, including the general duties of Directors set out in the Companies Act 2006, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, as appropriate.

9. **Reporting Procedures**

- 9.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board.

10. **Authority**

- 10.1 The Committee is authorised by the Board to:
  - 10.1.1 seek any information it requires from any employee of the Company in order to perform its duties;
  - 10.1.2 obtain, external professional services, funded by the Company, on any matter it considers appropriate to its terms of reference and such advisors may attend meetings as necessary.

Approved 7 October 2008  
Effective from 7 October 2008