Remuneration report
Chairman of Remuneration Committee introduction

Iain Ferguson

Chairman of the Remuneration Committee

"2015 was a year of strong cash performance where the recently appointed executive Directors had a positive impact on Company performance despite having to deal with significant legacy issues. It was a busy year for the Committee which will continue through 2016 as we undertake a full review of our reward tools and practices, to ensure that they fully support the next stage of the Company's transformation,. We intend to present a new Remuneration Policy for approval by shareholders at the 2017 AGM.

The Committee is responsible for remuneration strategy and policies, incentive plans and individual remuneration packages."

I am pleased to present the Directors' Remuneration report for 2015.

This report is divided into two sections, the Policy Report and the Annual Report, the latter being subject to an advisory vote at the 2016 AGM.

Link to strategy

The primary objectives of our remuneration policy are to ensure we are able to attract, retain and motivate key executives to deliver strong sustainable business performance aligned to the strategic plan and to the interests of shareholders. Balfour Beatty executive remuneration comprises base salary, benefits and incentive plans that are designed to reward both short-term and long-term performance. The incentive plans are subject to clawback provisions.

Summary of activities in 2015

Impact of Board changes

This year, the Committee has dealt with a number of Board changes, including the departure of Duncan Magrath as Chief Financial Officer in May 2015 and the recruitment of his replacement, Philip Harrison, who joined Balfour Beatty in June 2015. Peter Zinkin, the Planning and Development Director, retired in August 2015 after a 34-year career with the Company.

Steve Marshall stepped down from the Board as Chairman in March 2015 on the appointment of his successor, Philip Aiken.

Leo Quinn joined the Board in January 2015 as Group Chief Executive and his appointment terms were detailed in the 2014 Remuneration report.

Reward for 2015

In respect of 2015, the annual bonus payments for the executive Directors reflect the mixed performance of the Company – cash performance was strong, as was the personal performance of both executive Directors; however, profit performance continued to disappoint as the Company dealt with legacy issues.

The TSR performance conditions relating to the 2013 PSP which measured performance over the three years ended 31 December 2015 were not achieved and so those awards lapsed in full in March 2016.

While a below Board initiative, an innovative approach approved by the Committee in 2015 was the introduction of the CEO Share Awards under the Restricted Share Plan as a clear commitment to building a talent pipeline to secure the future of the Company. In 2015, modest awards of three-year restricted stock were made to 344 colleagues identified as key future talent. Each individual award was sponsored by the Group Chief Executive and provides a clear retention and reward tool as we look to deliver further performance improvements.

Areas of focus in 2016

In 2016, the Committee will undertake a formal review of the remuneration policy and the appropriateness of the short-term and long-term incentive arrangements to meet the current and future needs of the Company, as it implements the next phase of its business strategy. If changes are considered necessary, the Committee will consult with shareholders at the appropriate time, prior to proposing any resolution at the 2017 AGM.

Remuneration policy for 2016

We remain committed to the principles of our existing remuneration policy and its strong alignment to performance and shareholder value. A summary of how the Committee intends to operate the policy for 2016 is set out below:

- Reflecting the ongoing transformation of the Group through Build to Last, the AIP for 2016 will be measured using stretching profit and cash targets and strategic objectives. Cash generation remains critical as the Group looks to build on progress made in 2015 and return to profitability.
- The Committee will adopt a combination of TSR, EPS and cash performance measures for the 2016 PSP awards. This provides consistency with the measures used for the 2015 PSP award and reflects the continued strategic priorities of the Company.

Conclusion

The Committee will continue to engage with the Company's major shareholders to ensure that its executive remuneration remains appropriate and that, if changes are proposed, they remain true to the Committee's principles of rewarding strong performance and enhanced value to shareholders.

The Committee noted the significant number of votes cast against the advisory vote on the Directors' Remuneration report at the 2015 AGM (68% 'For' and 32% 'Against'). As shareholders are aware, 2014 was a challenging period for the Company and the Committee had to deal with a number of critical issues, including the recruitment terms of the Group Chief Executive, which resulted in many of the votes against the Directors' Remuneration Report at the 2015 AGM.

The Board takes its responsibility to engage with investors seriously and the Committee believes that the remuneration actions taken in 2014, including those related to the appointment of the Group Chief Executive, and those taken in 2015, were necessary and in the best interest of the Company and its shareholders.

I hope you will be supportive of the resolution to approve the Annual Report on Remuneration at the 2016 AGM.

Iain Ferguson
Chairman of the Remuneration Committee

Directors' remuneration policy report

The policy was approved by shareholders at the AGM on 15 May 2014. Although there is no requirement to include the Policy Report this year, it has been included for ease of reference.

Policy overview

The Committee, on behalf of the Board, determines the Company's remuneration policy and the remuneration packages of the executive Directors of the Company and the Chairman. In setting the remuneration policy, the Committee takes into account a number of factors, including:

- general trends in pay and conditions throughout the Group
- the positioning of remuneration levels against the external market
- the balance between fixed and variable pay – more specifically, variable pay should form a significant but not disproportionately high level of potential remuneration
- the strategy of the business.

In setting the overall remuneration policy, general trends and average increases throughout the Group are taken into account when setting executive Directors' reward packages. A key feature for the executive Directors is that a higher proportion of their remuneration package is delivered through performance-related pay, which has a greater linkage to the results of the Group. The areas covered in this Policy Report comprise:

Consideration of shareholders' views

The Committee considers feedback from shareholders received at each AGM, and any feedback from additional meetings, as part of any review of executive remuneration. In addition, the Committee engages proactively with shareholders and will ensure that shareholders are consulted in advance, where any material changes to the remuneration policy are proposed.

Consideration of employment conditions elsewhere in the Group

In determining the remuneration of the Company's Directors, the Committee takes into account the general trends in pay and conditions across the Group as a whole. Whilst employees have not been consulted formally on executive pay, due in part to the diverse geographic disposition of the Group, the Committee seeks to ensure that the underlying principles which form the basis for decisions on Directors' pay are consistent with those on which pay decisions for the rest of the workforce are taken. These are focused for the most part on market competitiveness, business performance and personal performance.

In practice, the remuneration policy for executive Directors is more heavily weighted towards variable pay than for other employees, so that a significant proportion of their remuneration is dependent on Company performance. For employees below Board level, variable pay represents a lower proportion of their total remuneration, which is driven by market comparators and general performance.

Remuneration report continued
Directors' remuneration policy report continued

Summary of executive Directors' remuneration policy

The following table sets out a summary of each element of the executive Directors' remuneration packages, their link to the Company's strategy, the policy for how these are operated, the maximum opportunity and a description of any relevant performance metrics.

Element of pay	Purpose and link to Company's strategy	How operated in practice
Base salary	To attract and retain high-calibre individuals. To provide a competitive salary relative to comparable companies in terms of size and complexity.	Salaries are reviewed and set annually in July. The Committee considers remuneration levels in companies of comparable market capitalisation, revenue and industry sector. In addition, a key reference point for salary increases is the average increase across the general workforce (with the exception of promotions or significant changes in responsibility). Salaries are paid monthly in cash.
Benefits	To aid retention and to remain competitive in the marketplace. In addition, medical benefits are provided to minimise disruption due to absence.	Private medical and life assurance may be provided. A car and fuel card or car allowance are offered. Other benefits may be provided as appropriate.
Pension	To remain competitive in the marketplace.	Executive Directors can elect either to: – participate in the defined contribution (DC) section of the Group's pension fund. Executive Directors must make contributions of 5% of base salary (up to an earnings cap), with the Company contributing 20% of base salary (up to the cap). On earnings above the cap, executive Directors receive a salary supplement; or – receive a salary supplement in lieu of a pension.
Annual Incentive Plan (AIP) and Deferred Bonus Plan (DBP)	To motivate executive Directors and incentivise the achievement of key business performance targets over the financial year without encouraging excessive risk taking. Managing risk is critical, particularly given the nature of the Company's business. To facilitate share ownership and provide further alignment with shareholders.	50% of any payment is normally deferred into shares for three years. Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results. Participants may also receive an award of cash or shares in lieu of the value of dividends on vested shares.
Performance Share Plan (PSP)	To incentivise and reward delivery of long-term performance linked to the business strategy. To facilitate share ownership and provide further alignment with shareholders. To aid retention.	PSP awards are granted annually so that no undue emphasis is placed on performance in any one particular financial year. Awards normally vest on the third anniversary, subject to performance. Participants also receive an award of cash or shares in lieu of the value of dividends on vested shares. Clawback may apply in the event of material misconduct and/or material misstatement or error of financial results.
Shareholding guidelines	To align the interests of executive Directors with those of shareholders.	Executive Directors are expected to accumulate a shareholding in the Company's shares to the value of 100% of their base salary. Executive Directors are expected to retain at least 50% of shares (net of tax) which vest from awards made under the PSP and DBP until the target shareholding is attained.

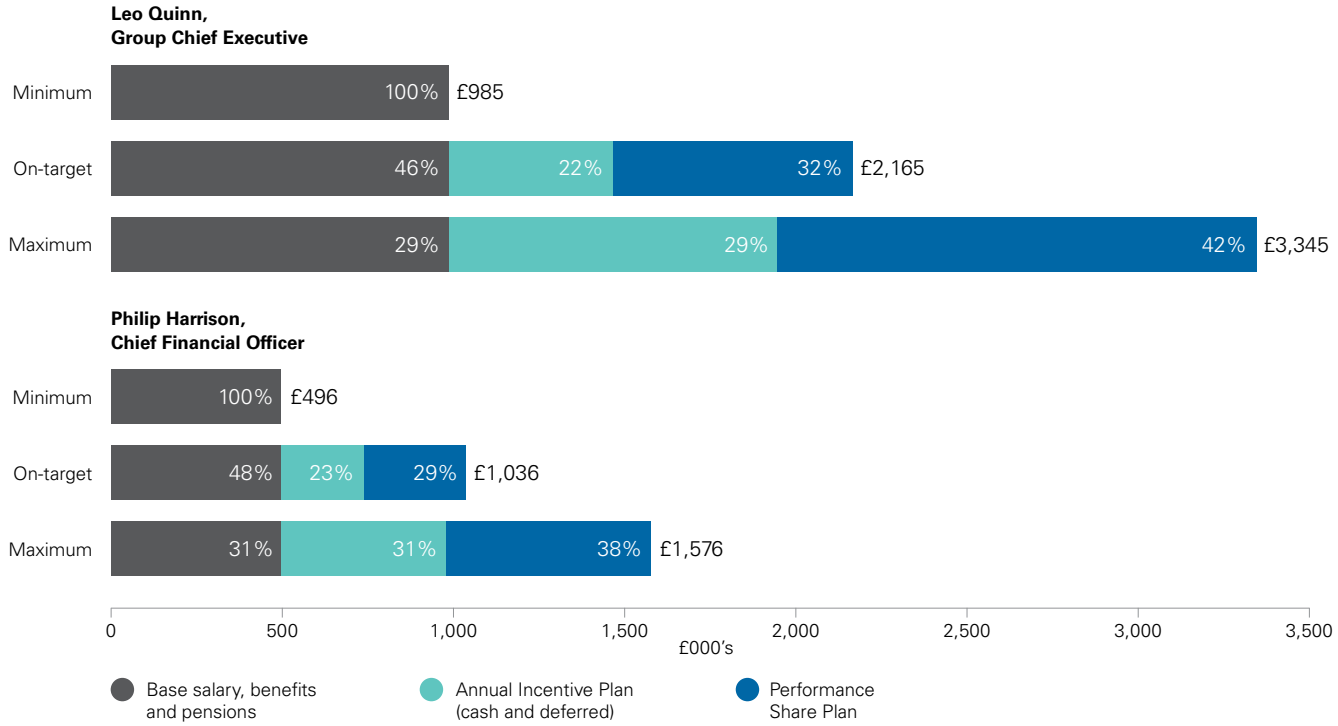
Executive Directors may also participate in the all-employee share schemes up to prevailing HMRC limits.

Maximum opportunity	Performance metrics
There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current salary levels are disclosed on page 75.	A number of factors are considered, notably market competitiveness, business and personal performance.
The maximum opportunity for medical benefits is cover for the executive Director and his or her family. Life assurance cover and any car or car allowance are based on market norms.	None
Executive Directors who participate in the Group's pension fund benefit from a pension contribution of 20% of base salary up to the earnings cap and a salary supplement of 20% of base salary in excess of the cap. If a salary supplement is taken in lieu of a pension contribution, this is equivalent to 20% of base salary.	None
Maximum annual incentive opportunity is 120% of base salary.	A majority of the bonus will be based on profit and a minority of the bonus may be based on other performance metrics linked to the business strategy, measured over a one-year performance period. Measures are reviewed each year and varied as appropriate to reflect the strategy.
The limit in the rules of the PSP is 200% of base salary. Other than in exceptional circumstances, the normal limit will be 175% of base salary.	Performance measures will normally be based on relative total shareholder return (TSR) and/or earnings per share (EPS) metrics, although strategic measures may be used in exceptional circumstances. Targets will normally be measured over a three-year performance period. There is 25% vesting for threshold performance, rising to 100% vesting for maximum performance.
–	None

Remuneration report continued
Directors' remuneration policy report continued

Remuneration scenarios for executive Directors

The charts below provide estimates for the potential future remuneration based on the current remuneration policy for the two executive Directors. Potential outcomes are based on three performance scenarios: minimum, on-target and maximum.



Notes

[1] Salary levels are based on those applying from 1 January 2016. These salaries will be reviewed in July 2016.

[2] The value of benefits receivable for 2016 has been estimated.

[3] The on-target level of AIP is taken to be 50% of the maximum AIP opportunity (120% of salary for executive Directors), of which 50% is paid in cash and 50% is deferred in shares under the DBP.

[4] The on-target level of vesting under the PSP is taken to be 50% of the face value of the award at grant (175% of salary for the Group Chief Executive and 150% of salary for the Chief Financial Officer). The executive Directors' buyout awards, as agreed as part of their joining arrangements, are not reflected in the above charts as these are not part of the ongoing remuneration policy.

[5] The maximum level of AIP and vesting under the PSP is taken to be 100% of the AIP opportunity and 100% of the face value of the PSP awards at grant.

[6] No share price appreciation or dividend awards have been assumed for the DBP shares and PSP awards.

Recruitment and promotion policy for executive Directors

To ensure the ongoing leadership continuity of the Group, the appointment of high-calibre executives may be necessary, either by external appointment or internal promotion. The remuneration package for a new executive Director would be set in accordance with the terms of the Company's remuneration policy at the time of appointment and take into account the scope and complexity of the role, the experience of the individual, the prevailing market rate for that experience and the importance and immediacy of securing that candidate.

The salary would be provided at such a level as required to attract the most appropriate candidate. The AIP potential would be limited to 120% of salary, and grants under the PSP may be up to the plan maximum of 200% of salary. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards were consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal executive Director appointment, any remuneration awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Service agreements and payments for loss of office for executive Directors

It is the Company's policy that executive Directors should have contracts with an indefinite term, which are subject to one year's notice by the Company and six months' notice by the executive Director. In accordance with the UK Corporate Governance Code, all executive Directors submit themselves for re-election at the AGM. In the event of early termination, the executive Directors' contracts provide for compensation in line with their contractual notice period. In summary, the contractual provisions are to provide the following:

Provision	Detailed terms
Notice period	12 months by the Company, six months by the executive Director.

There are no contractual compensation provisions for termination of employment. However, other non-contractual considerations are as follows:

Notice payments	If any existing contract was breached by the Company, it would be liable to pay an amount approximating to the net loss of salary and contractual benefits for the unexpired notice period, subject to mitigation and phased payments where appropriate.
Remuneration entitlements	Pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see below). In all cases, performance targets would apply.
Change of control	No executive Director's contract contains additional provisions in respect of change of control.

Any share-based entitlements granted to an executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the PSP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, good leaver status may be applied. For good leavers, awards will not be forfeited on cessation of employment and, subject to the satisfaction of the relevant performance conditions, will vest under the normal vesting schedule, being reduced pro-rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that PSP awards vest at cessation and/or to amend time pro rating. Outstanding DBP awards will lapse on cessation of employment. However, in certain good leaver circumstances, DBP awards will vest in full on the date of cessation.

External appointments of executive Directors

The Committee recognises that benefits can arise from allowing executive Directors to take a non-executive directorship elsewhere. Executive Directors are permitted to have one external appointment, from which fees may be retained with the approval of the Board.

Appointment of non-executive Directors

Non-executive Directors are appointed by the full Board following recommendations from the Nomination Committee. All non-executive Directors are appointed for a term of three years. In accordance with the UK Corporate Governance Code, all non-executive Directors submit themselves for re-election at the AGM.

Element of pay	Purpose and link to Company's strategy	How operated in practice	Maximum opportunity
Non-executive Director fees	To attract and retain high-quality and experienced non-executive Directors.	The Chairman is paid an annual fee and the non-executive Directors are paid an annual base fee and additional responsibility fees for the role of Senior Independent Director or for chairing a Board Committee. Non-executive Directors based outside Europe receive a travel allowance for each visit made on Company business to the UK, or to any other country (excluding their home country). Fee levels are normally reviewed annually in July. The non-executive Directors are not eligible to join any pension scheme operated by the Company and cannot participate in any of the Company's share plans or annual incentive schemes.	As per executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase in the non-executive director market and for the broader employee population, but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role.

None of the appointment letters for non-executive Directors contain provision for specific payment in the event of termination for whatever cause and may be terminated at will by either party.

Remuneration report continued
Annual report on remuneration

This part of the Remuneration report sets out how the remuneration policy will be applied over the year ending 31 December 2016 and how it was implemented over the year ended 31 December 2015. Details of the remuneration earned by Directors and the outcomes of incentive schemes, including details of relevant links to Company performance, are also provided in this part.

The areas covered in this annual report on Remuneration comprise:

Implementation of the remuneration policy for the year ending 31 December 2016

The detailed information about the Directors' remuneration, set out on pages 75 to 84 (excluding the performance graph on page 82), has been audited by the Company's independent auditor, Deloitte LLP.

Base salaries

The annual base salary review date is 1 July for executive Directors. Current base salaries for the executive Directors are as follows:

Base salary	On appointment £	**1 July 2015 £**	% increase
Leo Quinn	800,000	**800,000**	0.0%
Philip Harrison	400,000	**400,000**	0.0%

The annual base salary for Leo Quinn was set at £800,000 from appointment to the Board on 1 January 2015. Philip Harrison joined the Board as Chief Financial Officer on 1 June 2015 on an annual base salary of £400,000. The normal review date for executive Directors' base salaries is 1 July, but it was agreed on appointment that neither would receive an increase in 2015. The next salary review date is 1 July 2016.

Performance targets for the AIP in 2016

For 2016, the AIP for the executive Directors will be a maximum bonus of 120% of base salary subject to three performance measures:

- profit before tax (51%)
- cash (25%)
- strategic business and personal objectives (24%).

The three elements are measured and calculated independently of each other and 50% of any bonus earned will be deferred for three years in the form of Balfour Beatty shares.

While the Committee has chosen not to disclose in advance the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive, retrospective disclosure of the targets and performance against them will be presented in next year's Annual Report on Remuneration.

Performance targets for PSP awards granted in 2016

Consistent with the approach adopted in 2015, the PSP awards to be granted in 2016 will be subject to the following targets:

- relative TSR (33.3%) – the Company's TSR measured against a comparator group of UK listed companies ranked 51–150 by market capitalisation in the FTSE All Share Index (excluding investment trusts) as at 1 January 2016, the start of the performance period. There is no vesting below median, with 25% of this part of an award vesting at median ranking, rising to 100% vesting of this part of an award at upper quartile or higher
- EPS (33.3%) – the growth in the Company's EPS over the three-year performance period
- Cash (33.3%) – cash remains critical as a long-term performance measure during the Company's transformation.

As at the date of publication of this Remuneration report, the Committee had not finalised the EPS and cash performance targets for the PSP award to be granted in 2016. These EPS and cash targets will be set at an appropriate level of stretch and will be fully disclosed in the RNS announcement issued immediately following the PSP award and in the Remuneration report for 2016.

Non-executive Directors

As detailed in the Policy Report, the Company's approach to setting non-executive Directors' fees is by reference to fees paid at similar companies and reflects the time commitment and responsibilities of each role. A summary of current fees is as follows:

	1 July 2014 £	**1 July 2015 £**	% increase
Chairman[1]	265,750	**270,000**	1.6%
Base fee	56,000	**56,000**	0%
Senior Independent Director fee	10,000	**10,000**	0%
Committee chair fee	10,000	**10,000**	0%

[1] The Chairman's fees shown at 1 July 2014 are those paid to Steve Marshall who stepped down from the Board on 26 March 2015, and was replaced by Philip Aiken whose fees are shown at 1 July 2015. As disclosed last year, Steve Marshall received a temporary increase in his annual fee from £265,750 to £531,500 from 3 May 2014 to 31 December 2014 to reflect his additional responsibilities and time commitment as Executive Chairman.

For non-executive Directors based outside Europe, the travel allowance for each overseas visit made on Company business remains at £2,500.

Where the Chairman or Senior Independent Director is also the chair of a Committee, he or she receives no committee chair fee.

Remuneration report continued
Annual report on remuneration continued

Remuneration received by Directors for the year ended 31 December 2015

The table below sets out the Directors' remuneration for the year ended 31 December 2015 (or for performance periods ended in that year in respect of long-term incentives) together with comparative figures for the year ended 31 December 2014.

	Year	Base salary and fees[1,2] £	Taxable benefits[3,4] £	Pension[5] £	Annual incentive cash £	Annual incentive deferred shares £	Long-term incentives £	Other £	Total £
Executive Directors									
Philip Harrison	**2015**	**233,333**	**8,506**	**46,667**	**65,800**	**65,800**	**–**	**–**	**420,106**
	2014	–	–	–	–	–	–	–	–
Leo Quinn[6]	**2015**	**800,000**	**30,870**	**160,000**	**225,600**	**225,600**	**–**	**2,052,902**	**3,494,972**
	2014	–	–	–	–	–	–	–	–
Former executive Directors									
Duncan Magrath[7]	**2015**	**177,195**	**5,513**	**31,079**	**43,600**	**–**	**–**	**373,351**	**630,738**
	2014	487,395	15,568	86,100	–	–	166,803	4.128	759,994
Andrew McNaughton[8]	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**265,852**	**265,852**
	2014	224,167	6,041	44,833	–	–	–	–	275,041
Peter Zinkin[9]	**2015**	**106,179**	**2,697**	**21,236**	**34,050**	**–**	**–**	**–**	**164,162**
	2014	448,500	10,385	89,700	–	–	–	–	548,585
Non-executive Directors									
Philip Aiken	**2015**	**206,654**	**–**	**–**	**–**	**–**	**–**	**–**	**206,654**
	2014	–	–	–	–	–	–	–	–
Stephen Billingham[10]	**2015**	**37,333**	**–**	**–**	**–**	**–**	**–**	**–**	**37,333**
	2014	–	–	–	–	–	–	–	–
Stuart Doughty	**2015**	**42,000**	**–**	**–**	**–**	**–**	**–**	**–**	**42,000**
	2014	–	–	–	–	–	–	–	–
Iain Ferguson	**2015**	**66,000**	**774**	**–**	**–**	**–**	**–**	**–**	**66,774**
	2014	66,000	1,877	–	–	–	–	–	67,877
Maureen Kempston Darkes[11]	**2015**	**76,000**	**3,309**	**–**	**–**	**–**	**–**	**–**	**79,309**
	2014	86,000	5,496	–	–	–	–	–	91,496
Graham Roberts	**2015**	**66,000**	**–**	**–**	**–**	**–**	**–**	**–**	**66,000**
	2014	66,000	–	–	–	–	–	–	66,000
Former non-executive Directors									
Robert Amen[12]	**2015**	**68,500**	**3,839**	**–**	**–**	**–**	**–**	**–**	**72,339**
	2014	76,000	7,311	–	–	–	–	–	83,311
Steve Marshall[13]	**2015**	**62,690**	**1,706**	**–**	**–**	**–**	**–**	**–**	**64,396**
	2014	441,488	5,878	–	–	–	–	–	447,366
Belinda Richards	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	49,397	–	–	–	–	–	–	49,397
Bill Thomas	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2014	49,397	2,168	–	–	–	–	–	51,565

1 Base salary and fees were those paid in respect of the period of the year during which the individuals were Directors.

2 In practice, the base salaries paid to Leo Quinn and Peter Zinkin were reduced due to their participation in the Company's Share Incentive Plan. These salary reductions in 2015 were £3,150 for Leo Quinn and £375 for Peter Zinkin. The base salary for Peter Zinkin has also been reduced by £24,000 per annum in 2015 (2014: £24,000) to meet additional travelling costs incurred by him in order to fulfil his role. The base salary paid to Peter Zinkin in 2014 was reduced by £588 which corresponds to his contributions to the Balfour Beatty Pension Fund for the month of January 2014 which were met directly by the Company due to his participation in the Group's SMART Pensions salary sacrifice arrangement.

3 Taxable benefits are calculated in terms of UK taxable values. Leo Quinn and Duncan Magrath received private medical insurance for the Director and his immediate family. Peter Zinkin received private medical insurance for the Director and his spouse. Philip Harrison received private medical insurance for the Director only. Leo Quinn received a car allowance of £20,000 per annum, Philip Harrison received a car allowance of £14,000 per annum and Duncan Magrath received a car allowance of £14,000 per annum. Peter Zinkin received a fully expensed car with taxable benefit value of £9,624 per annum.

4 Robert Amen, Iain Ferguson, Maureen Kempston Darkes and Steve Marshall received taxable travel expenses which are shown in the taxable benefits column.

5 For periods of membership of the DC section of the Group's pension fund, this comprises the amount of employer contributions plus any salary supplements in lieu of pension on earnings that are above the earnings cap. For any periods of non-membership of the Group's pension fund, this comprises any salary supplements in lieu of pension contributions. Further details are set out in the section on Directors' pensions on page 83.

6 For Leo Quinn, other payments relate to recruitment arrangements to compensate him for loss of earnings with his former employer. The payments were delivered part in shares and part in cash. Further details of these awards are set out on page 79.

7 Duncan Magrath ceased to be a Director on 8 May 2015. Other payments in 2015 were contractual in relation to loss of office as detailed on page 80.

8 Andrew McNaughton ceased to be a Director on 3 May 2014. Payments in 2015 were contractual in relation to loss of office as detailed in the Remuneration report 2014.

9 Peter Zinkin ceased to be a Director on 26 March 2015. In addition to the amount disclosed above, Peter Zinkin earned £235,785 in base salary and pension allowance in the period he was an employee but not an executive Director (26 March 2015 to 31 August 2015).

10 Due to an administrative error by the Company, Stephen Billingham was overpaid in 2015 by £4,666. He should have received £32,667. The overpayment has been repaid.

11 Maureen Kempston Darkes' fees shown for 2015 include £10,000 in respect of travel allowances for meetings attended in 2015 (2014: £20,000).

12 Robert Amen stepped down from the Board effective 31 December 2015. His fees shown for 2015 include £12,500 in respect of travel allowances for meetings attended in 2015 (2014: £20,000).

13 Steve Marshall's fees shown for 2014 include the additional annual fee agreed when he became Executive Chairman, pro rated for the period 3 May 2014 to 31 December 2014.

AIP awards for the year ended 31 December 2015

For 2015, the AIP for the current executive Directors was a maximum bonus of 120% of base salary subject to three performance measures:

- profit before tax (51%)
- cash (25%)
- strategic business and personal objectives (24%).

The three elements are measured and calculated independently of each other and 50% of the bonus earned is deferred for three years in the form of Balfour Beatty shares.

AIP objective			Actual	Maximum (% of salary)	Actual (% of salary)	Payable in cash (% of salary)	Payable in shares (% of salary)
Profit before tax and non-underlying items	Threshold Target Maximum	£45m £65m £75m	£(123)m	61.2%	0%	0%	0%
Improvement in operating cash flow (Q4 average 2015 on 2014)	Threshold Target Maximum	£150m £175m £200m	£221m	30.0%	30.0%	15.0%	15.0%
Strategic business and personal objectives as agreed by the Remuneration Committee	Remuneration Committee assessment of achievement		91.7% achieved	28.8%	26.4%	13.2%	13.2%
			Total	120%	56.4%	28.2%	28.2%

Performance against the 2015 AIP targets as it relates to the current executive Directors was:

- the threshold level of performance against the profit before tax target was not achieved and no bonus is payable against this element
- strong cash performance by the Company resulted in the maximum level of performance being achieved against this element. Therefore a full payment of the 25.0% weighting for this element is payable, ie 30.0% of salary as the AIP maximum payment is 120.0%
- following detailed consideration by the Committee of performance against strategic business and personal objectives, the executive Directors were both awarded a payment of 22.0% of the 24.0% weighting payable for this element, ie 26.4% of salary as the AIP maximum payment is 120.0%. The factors the Committee considered in agreeing this assessment included the success of the Build to Last transformation programme and the delivery of other key strategic objectives including the review of the Investments portfolio and the refinancing.

The Committee considered carefully the AIP performance out-turn for the executive Directors against the background of disappointing profit performance and determined that the above payments are appropriate. The performance issues relate to legacy contracts and the recently appointed executive Directors have, in the opinion of the Committee, dealt with these challenges to create the foundations for a sustainable business.

Vesting of PSP awards for the year under review

The PSP awards granted on 16 April 2013 were based on a performance period for the three years ended 31 December 2015. As disclosed in previous Remuneration reports, the performance conditions were comparative Total Shareholder Return against two different comparator groups. 25% of each part of the award would vest for median performance increasing to 100% of the award vesting for upper quartile performance or above.

Metric	Performance condition	Measure	Threshold target	Maximum target	Actual	Vesting
Total Shareholder Return (50% of the award)	TSR against a group of construction and professional services companies – AECOM, Atkins, Bilfinger and Berger, Carillion, Costain, Hochtief, Morgan Sindall, Tutor Perini, Skanska and URS.	TSR ranking	5 or above	2.5 or above	9	0%
Total Shareholder Return (50% of the award)	TSR against the 89 remaining companies ranked 51–150 in the FTSE All Share Index (excluding investment trusts) as at the start of the performance period and still listed at the end of the performance period.	TSR ranking	45 or above	22.5 or above	61	0%
					Total vesting	0%

Details of the PSP awards vesting for the year under review for the executive Directors who received the April 2013 award and served during 2015 are therefore as follows:

Executive	Type of award	Number of shares at grant	Number of shares to vest	Number of shares to lapse	Value of vesting shares £
Duncan Magrath	2013 conditional	255,818	–	255,818	–
Peter Zinkin	2013 conditional	266,653	–	266,653	–

Remuneration report continued
Annual report on remuneration continued

The 2013 PSP awards for Duncan Magrath and Peter Zinkin were scheduled to formally lapse on 16 April 2016. However, as the performance conditions were measured to 31 December 2015, the Committee was able to consider performance and lapse the awards effective 10 March 2016. The number of shares shown as to lapse represents the original shares awarded. Had the 2013 PSP award vested based on the achievement of the performance conditions, the number of shares available to both of them would have been reduced pro-rata to reflect the time served with the Company to cessation of their employment.

Outstanding share awards

			Maximum number of shares subject to award					
Name of Director	Share award	Date granted	At 1 January 2015	Awarded during the year	Vested during the year	Lapsed during the year	**At 31 December 2015**	Exercisable and/or vesting from
Philip Harrison	PSP[4,5,7,8]	26 June 2015	–	295,857	–	–	**295,857**	26 June 2018
	Share buyout[14]	11 June 2015	–	30,831	–	–	**30,831**	31 December 2016
	Share buyout[14]	11 June 2015	–	61,662	–	–	**61,662**	31 December 2017
Duncan Magrath[18]	PSP[1,5,6]	16 April 2012	219,076	–	–	219,076	**–**	16 April 2015
	PSP[2,5,6]	16 April 2013	255,818	–	–	56,848	**198,970**	16 April 2016
	PSP[3,5,6]	31 March 2014	211,162	–	–	117,312	**93,850**	31 March 2017
	DBP[9,11,12]	30 March 2012	65,954	–	65,954	–	**–**	30 March 2015
	DBP[9,10,12]	31 March 2013	49,133	–	49,133	–	**–**	31 March 2016
	DBP[9,10,12]	31 March 2014	37,823	–	37,823	–	**–**	31 March 2017
	SRSOS[15,16,17]	11 May 2010	1,291	–	–	1,291	**–**	1 July 2015
Leo Quinn	PSP[4,5,7,8,]	26 June 2015	–	788,954	–	–	**788,954**	26 June 2018
	DBP[9,10,12,13]	26 June 2015	–	193,280	–	–	**193,280**	26 June 2018
	Share buyout[14]	2 January 2015	–	141,791	141,791	–	**–**	26 May 2015
	Share buyout[14]	2 January 2015	–	308,010	–	308,010	**–**	29 June 2015
	Share buyout[14]	2 January 2015	–	504,151	267,365	236,786	**–**	9 August 2015
	Share buyout[14]	2 January 2015	–	604,256	–	–	**604,256**	2 January 2017
	Share buyout[14]	2 January 2015	–	1,208,511	–	–	**1,208,511**	2 January 2018
Peter Zinkin[18]	PSP[1,5,6]	16 April 2012	232,600	–	–	232,600	**–**	16 April 2015
	PSP[2,5,6]	16 April 2013	266,653	–	–	29,628	**237,025**	16 April 2016
	PSP[3,5,6]	31 March 2014	220,105	–	–	97,824	**122,281**	31 March 2017
	DBP[9,11,12]	30 March 2012	70,025	–	70,025	–	**–**	30 March 2015
	DBP[9,10,12]	31 March 2013	51,215	–	51,215	–	**–**	31 March 2016
	DBP[9,10,12]	31 March 2014	39,424	–	39,424	–	**–**	31 March 2017

1 2012 PSP award: The award formally lapsed on 16 April 2015. Details of the Company's performance against the performance conditions were set out in the 2014 Remuneration report.

2 2013 PSP award: The award formally lapsed on 10 March 2016 as detailed on page 77 and above.

3 2014 PSP award: The award is subject to two TSR performance targets over a three-year performance period commencing 1 January 2014. Relative TSR (50% weighting) – measured against a comparator group of companies ranked 51–150 by market capitalisation in the FTSE All Share Index. Relative TSR (50% weighting) – measured against a comparator group of construction and professional services companies. No vesting below median ranking, 25% at median rising to 100% vesting at upper quartile performance or better.

4 2015 PSP award: Details of this award are set out on page 79.

5 All PSP awards are granted for nil consideration and are in respect of 50p ordinary shares in Balfour Beatty plc. It is the Company's current intention that awards will be satisfied by shares purchased in the market.

6 The average middle market price of ordinary shares in the Company for the three dealing dates before the PSP award dates, which was used for calculating the number of awards granted, was 277.3p for the 2012 award, 249.2p for the 2013 award and 301.9p for the 2014 awards. The closing middle market price of ordinary shares on the date of the awards was 271.9p, 244.9p and 299.6p respectively.

7 The 2015 PSP award used a share price of 202.8p to calculate the number of shares awarded, being the average middle market price of ordinary shares in the Company for the 10 dealing dates before Leo Quinn joined the Company on 2 January 2015. The closing middle market price of ordinary shares on the date of the award was 243.0p.

8 On 26 June 2015, for all participants in the PSP, a maximum of 3,969,923 conditional shares were awarded which are exercisable on 26 June 2018.

9 All DBP awards are granted for nil consideration and are in respect of 50p ordinary shares in Balfour Beatty plc. It is the Company's current intention that awards will be satisfied by shares purchased in the market.

10 The initial DBP awards made in 2013, 2014, March 2015 and June 2015 will vest on 31 March 2016, 31 March 2017, 31 March 2018 and 26 June 2018 respectively, providing the participant is still employed by the Group at the vesting date (unless specified leaver conditions are met, in which case early vesting may be permitted).

11 The initial DBP awards made in 2012 vested on 30 March 2015. The closing middle market price of ordinary shares in the Company on the vesting date was 241.6p.

12 The DBP awards made on 30 March 2012, 31 March 2013, 31 March 2014, 31 March 2015 and 26 June 2015 were purchased at average prices of 286.99p, 234.85p, 301.9p, 241.0p and 245.0p respectively.

13 On 31 March 2015, for all participants in the DBP, a maximum of 506,807 conditional shares were awarded which will normally be released on 31 March 2018. On 26 June 2015, 193,280 conditional shares were awarded to Leo Quinn in relation to the annual bonus payable by his previous employer and these will normally be released on 26 June 2018.

14 The share buyout awards were granted for nil consideration and are in respect of 50p ordinary shares in Balfour Beatty plc. The awards compensate each of Leo Quinn and Philip Harrison for incentive awards which were forfeited on leaving their previous employers. Further details of these awards are set out on pages 79 and 81. The closing middle market price of ordinary shares in the Company on the date of the awards was 212.4p and 253.1p respectively.

15 All savings-related share option scheme (SRSOS) options are granted for nil consideration on grant and are in respect of 50p ordinary shares in Balfour Beatty plc.

16 The closing market price of the Company's ordinary shares on 31 December 2015 was 270.2p. During the year, the highest and lowest closing market prices were 272.5p and 198.8p respectively.

17 The SRSOS options granted to Duncan Magrath in May 2010, exercisable at 236.0p, lapsed unexercised on 8 May 2015.

18 Duncan Magrath stepped down from the Board on 8 May 2015 and Peter Zinkin retired from employment on 31 August 2015. At these dates, a proportion of their 2013 and 2014 PSP awards lapsed reflecting the proportion of the performance period for each award which had not been completed at the date of leaving. The remainder of their 2013 PSP and 2014 PSP awards were preserved to be tested as per the original performance tests at the time of grant. The DBP awards made to Duncan Magrath and Peter Zinkin made in 2013 and 2014 vested on 8 May 2015 and 31 August 2015 respectively.

PSP awards granted during the year

On 26 June 2015, the following PSP awards were granted to executive Directors:

Executive	Type of award	Basis of award granted	Share price applied at date of grant	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting determined by performance over three years to	Vesting date
Leo Quinn	Conditional	200% of salary of £800,000	202.8p	788,954	£1,599,999	25%	14 October 2017	26 June 2018
Philip Harrison	Conditional	150% of salary of £400,000	202.8p	295,857	£599,998	25%	31 December 2017	26 June 2018

The performance condition for 33% of the award (the TSR Part) will measure the Company's Total Shareholder Return performance over a three-year period relative to the TSR performance of a comparator group of companies comprising the constituents of the FTSE 51–150 (excluding investment trusts) as at the start of the measurement period. The measurement period for the TSR Part is the three financial years to 31 December 2017, except for Leo Quinn's award for which the measurement period is the three years to 14 October 2017.

No portion of the TSR Part will vest unless the Company's TSR performance ranks at least equal to median TSR performance of the comparator group, at which point 25% of the TSR Part will vest, rising on a straight-line basis to full vesting for the Company's TSR performance ranking at upper quartile or better.

The performance condition applying to a separate 33% of the award (the Net Debt Part) will measure improvement in the Company's net debt over a measurement period comprising the three financial years to 31 December 2017.

No portion of the Net Debt Part will vest unless the Company's net debt at the 2017 financial year end is less than £(150)m. Were net debt to be £(150)m or less but more than £(50m), 25% to 50% of the Net Debt Part would vest on a straight-line between such levels. Were net debt to be £(50)m or less, between 50% and 100% of the Net Debt Part would vest on a straight-line basis for net debt between £(50)m and £nil.

The performance condition applying to a separate 33% of each award (the "EPS Part") will measure the Company's underlying earnings per share (EPS) performance over a measurement period comprising the three financial years to 31 December 2017.

No portion of the EPS Part will vest unless the Company's EPS for the 2017 financial year is 14p, at which point 25% of the EPS Part will vest, rising on a straight-line basis to full vesting for the Company's EPS being 21p or more.

Leo Quinn recruitment terms

As part of his recruitment arrangements and as fully disclosed in the 2014 Remuneration report, the Company agreed to compensate Leo Quinn for incentive awards which were forfeited upon leaving his previous employer. During 2015 the following awards have been made in relation to these recruitment terms:

- compensation for loss of annual bonus payable by the previous employer, based on actual performance achieved in respect of its financial year ending 31 March 2015, resulting in a cash payment of £473,537 in July 2015 and £473,537 invested in 193,280 Balfour Beatty plc shares (at a share price of 245p), deferred for three years with vesting subject to continued employment
- a cash payment of £360,801 in July 2015 in respect of a conditional share award over 141,791 Balfour Beatty plc shares released in May 2015 which were not performance based as vesting was solely based on continued employment with the previous employer. A cash payment of £15,537 was also made in relation to dividend shares on this award
- in relation to a conditional award of 308,010 Balfour Beatty plc shares which were available to vest in June 2015, this award lapsed in full as it mirrored the performance-based treatment of a share award at Leo Quinn's previous employer
- in relation to a conditional award of 504,151 Balfour Beatty plc shares which were available to vest in August 2015, 267,365 of these shares vested on 12 August 2015 based on the treatment of a performance-based share award at Leo Quinn's previous employer. After statutory withholdings, 141,451 shares have been retained by Leo Quinn at a cost of 263.75p per share. A cash payment of £24,314 was also made in relation to dividend shares on this award.

Outstanding at year end is a conditional share award over 1,812,767 Balfour Beatty plc shares granted on 2 January 2015 which will vest in two tranches:

- 604,256 shares (one-third of the award) will vest on the second anniversary of grant subject to share price targets tested at the end of the two-year period based on a 60-day average and as adjusted for dividends. 25% of this part of the award will vest for an end average share price of 222p increasing pro-rata for full vesting of this part of the award for an end average share price of 309p. No vesting for this part of the award will take place for an average share price of less than 222p
- 1,208,511 shares (two-thirds of the award) will vest on the third anniversary of grant subject to share price targets tested at the end of the three-year period based on a 60-day average and as adjusted for dividends. 25% of this part of the award will vest for an end average share price of 250p increasing pro-rata for full vesting of this part of the award for an end average share price of 380p. No vesting for this part of the award will take place for an average share price of less than 250p
- in addition to the dividend adjusted share price targets, an underpin will apply to the vesting whereby the Committee must be satisfied with the underlying performance of the business for this award to vest.

The above share-based buyout award lapses in the event of voluntary resignation or termination for cause prior to the respective vesting dates. In the event of good leaver departure, the awards will vest at employment cessation, subject to performance conditions and pro rating at the time of cessation.

Remuneration report continued
Annual report on remuneration continued

Executive Director changes and payments for loss of office

Departure of Duncan Magrath

Duncan Magrath stepped down from the Board on 8 May 2015. In line with his contractual entitlements, it was agreed that he should receive:

- an amount of £414,606 in lieu of nine months' unworked contractual notice period (since notice was served on 13 February 2015), comprising £336,497 for salary, £67,300 for pension allowance and £10,809 for car allowance. Half of the payment in lieu of notice was paid as a lump sum at cessation (£207,303) with the balance payable in monthly instalments and subject to mitigation until the expiry of the notice period on 12 February 2016. The monthly instalments would have been reduced, on a pound for pound basis, had Duncan Magrath secured alternative employment before the expiry of the notice period, which was not the case. Of the £414,606 payment in lieu of unworked contractual notice period, £348,197 was paid in the year to 31 December 2015
- a payment of £25,154 in lieu of accrued but not taken holiday entitlement.

In respect of Duncan Magrath's incentives, it was determined that:

- there would be an entitlement under the 2015 AIP for the four months of the year during which he served on the Board. A payment of £43,600 will be made in March 2016
- the 2013 and 2014 PSP awards should vest on their original vesting date, subject to performance conditions being satisfied at that point and pro rated for the proportion of the performance period served. As a result of the performance conditions not being met in respect of the 2013 award, this PSP award lapsed
- awards held under the DBP (86,956 shares in respect of annual bonuses earned in the financial years ended 31 December 2012 and 2013) should vest at cessation. These shares were released on cessation of his employment at a value of £210,781, subject to tax and national insurance deductions.

Departure of Andrew McNaughton

Andrew McNaughton stepped down from the Board on 3 May 2014. As fully disclosed in the 2014 Remuneration report, in line with his contractual entitlements, it was agreed that he should continue to receive his base salary, car allowance, pension allowance and medical benefits, paid monthly, in respect of his 12-month notice period (he therefore received monthly payments of £66,463 for each of the four months from January 2015 to April 2015. The agreement with Andrew McNaughton included a duty to mitigate by reducing payments to him in the event of his finding new employment which was not invoked.

Retirement of Peter Zinkin

Peter Zinkin stepped down from the Board on 26 March 2015 and retired from the Company on 31 August 2015. In respect of Peter Zinkin's incentives, it was determined that:

- there would be an entitlement under the 2015 AIP for the three months of the year during which he served on the Board. A payment of £34,050 will be made in March 2016
- the 2013 and 2014 PSP awards should vest on their original vesting date, subject to performance conditions being satisfied at that point and pro rated for the proportion of the performance period served. As a result of the performance conditions not being met in respect of the 2013 award, this PSP award lapsed
- awards held under the DBP (90,639 shares in respect of annual bonuses earned in the financial years ended 31 December 2012 and 2013) should vest at retirement. These shares were released on his retirement at a value of £234,528, subject to tax and national insurance deductions.

With effect from 1 September 2015, Peter Zinkin entered a consultancy agreement with the Company whereby he provides specialist advice to the Company, initially for a period of six months, which was subsequently extended to 14 July 2016. The fee payable under this agreement is anticipated to be £3,750 per month, although this can vary up or down based on actual time spent. £15,000 was paid to Peter Zinkin during the period from 1 September 2015 to 31 December 2015.

Appointment of Philip Harrison

Philip Harrison joined the Board as Chief Financial Officer on 1 June 2015. The key elements of his remuneration package, which are consistent with the Company's approved remuneration policy, are as follows:

- a base salary of £400,000 and a salary supplement at 20% of base salary in lieu of pension contributions
- a maximum annual bonus of 120% of base salary, with 50% of any payment in Balfour Beatty shares deferred for three years
- an annual PSP award of 150% of base salary.

As part of his recruitment arrangements, the Company agreed to compensate Philip Harrison for share awards which were forfeited upon leaving his previous employer. The performance targets are consistent with the awards granted to Leo Quinn at the start of 2015.

The Company granted a conditional share award over 92,493 Balfour Beatty plc shares on 11 June 2015 which will vest in two tranches:

- 30,831 shares (one-third of the award) will vest on 31 December 2016 subject to share price targets tested at the end of the period based on a 60-day average and as adjusted for dividends. 25% of this part of the award will vest for an end average share price of 222p increasing pro-rata for full vesting of this part of the award for an end average share price of 309p. No vesting for this part of the award will take place for an average share price of less than 222p
- 61,662 shares (two-thirds of the award) will vest on 31 December 2017 subject to share price targets tested at the end of the period based on a 60-day average and as adjusted for dividends. 25% of this part of the award will vest for an end average share price of 250p increasing pro-rata for full vesting of this part of the award for an end average share price of 380p. No vesting for this part of the award will take place for an average share price of less than 250p
- in addition to the dividend adjusted share price targets, an underpin will apply to the vesting whereby the Committee must be satisfied with the underlying performance of the business for this award to vest.

The share buyout award lapses in the event of voluntary resignation or termination for cause prior to the respective vesting dates. In the event of good leaver departure, the awards will vest at employment cessation, subject to performance conditions and pro rating at the time of cessation.

Payments to past Directors

There were no payments to past executive Directors other than the payments disclosed on pages 76 and 80 in respect of Duncan Magrath, Andrew McNaughton and Peter Zinkin.

Statement of Directors' shareholdings and share interests

The interests of the Directors and connected persons (including, amongst others, members of the Director's immediate family) in the share capital of Balfour Beatty plc and its subsidiary undertakings during the year are set out below:

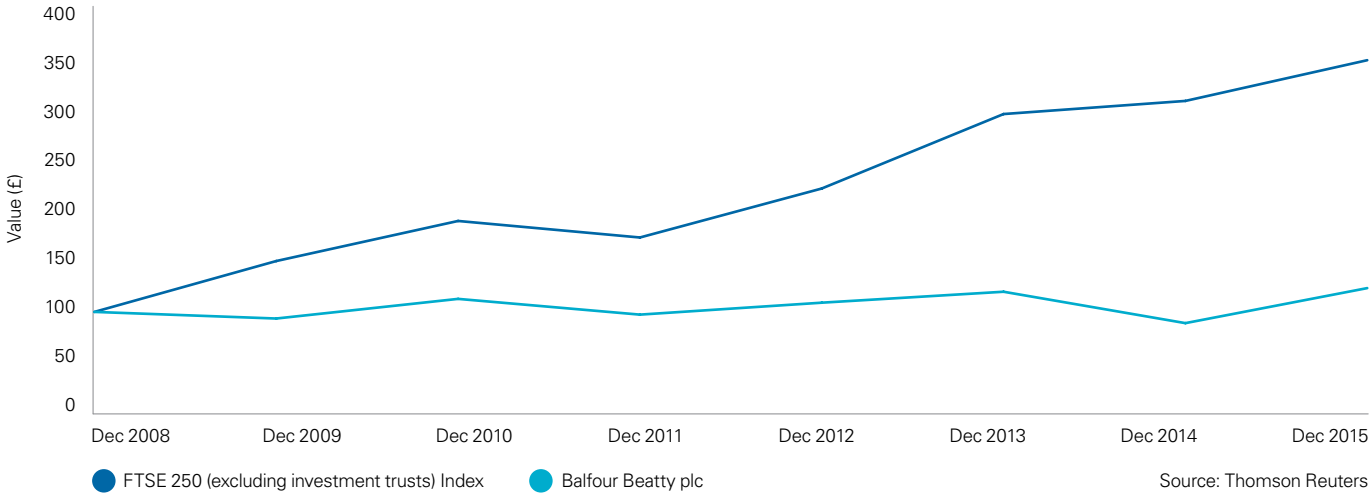
Directors	Beneficially owned at 1 January 2015[1,2]	Beneficially owned at 31 December 2015[2,3,4]	Outstanding PSP awards	Outstanding DBP awards	Outstanding share buyout awards	Beneficially owned at 31 December 2015 as a % of base salary at 31 December 2015	Guideline met[5]
Philip Harrison	1,685	6,349	295,857		92,493	4.3%	No
Duncan Magrath	191,890	226,905					
Leo Quinn	20,000	162,675	788,954	193,280	1,812,767	54.9%	No
Peter Zinkin[6]	315,694	315,863					
Philip Aiken	–	10,000					
Robert Amen	10,139	10,139					
Stephen Billingham[7]	11,291	11,350					
Stuart Doughty	–	–					
Iain Ferguson	55,000	55,000					
Maureen Kempston Darkes	7,000	7,000					
Steve Marshall	17,142	17,142					
Graham Roberts	15,000	15,000					

1 Or date of appointment, if later.
2 Includes any shares held in the Company's all-employee Share Incentive Plan.
3 Or date of stepping down from the Board, if earlier.
4 As at 14 March 2016, there have been no changes to the above other than in respect of ordinary shares held in the Share Incentive Plan which increased the shares for Leo Quinn by 182.
5 The executive Directors are required to hold shares in the Company worth 100% of base salary and must retain no fewer than 50% of the shares, net of taxes, vesting under the DBP and PSP until the required shareholding is met.
6 Peter Zinkin was also interested at 1 January 2015 and 26 March 2015 in 325 cumulative convertible redeemable preference shares of 1p each in Balfour Beatty plc.
7 Stephen Billingham was also interested in 33,272 and 34,612 cumulative convertible redeemable preference shares of 1p each in Balfour Beatty plc on appointment and at 31 December 2015, respectively. As at 14 March 2016, Stephen Billingham had acquired a further 1,458 preference shares as a result of reinvestment of dividends.

Remuneration report continued
Annual report on remuneration continued

Performance graph

As in previous reports, the Remuneration Committee has chosen to compare the TSR on the Company's ordinary shares against the FTSE 250 Index (excluding investment trusts) principally because this is a broad index of which the Company is a constituent member. The values indicated in the graph show the share price growth plus reinvested dividends from a £100 hypothetical holding of ordinary shares in Balfour Beatty plc and in the index, and have been calculated using 30 trading day average values.



Group Chief Executive's remuneration table

The total remuneration figures for the Group Chief Executive during each of the last seven financial years are shown in the table below. The total remuneration figure includes the AIP award based on that year's performance and the PSP award based on the three-year performance period ending in the relevant year. The AIP payout and PSP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

							Year ended 31 December
	2009	2010	2011	2012	2013	2014	**2015**
Total remuneration[1]	£1,617,233	£1,451,016	£1,514,007	£1,189,287	£961,350	£797,568	**£1,442,070**
AIP (%)[2]	60.4%	69.6%	65.3%	40.2%	21.0%	0%	**47.0%**
PSP (%)	50%	18.4%	0%	0%	0%	0%	**0%**

[1] The figures for 2009 to 2012 relate to Ian Tyler who retired from the Board on 31 March 2013. The figures for 2013 and 2014 are annualised figures for Andrew McNaughton who was appointed on 31 March 2013 and stepped down on 3 May 2014. The figures for 2015 relate to Leo Quinn.
[2] Andrew McNaughton did not qualify for any 2014 AIP.

Percentage change in Group Chief Executive's remuneration compared with all UK employees

The table below shows the percentage change in the Group Chief Executive's salary, benefits and annual bonus between the financial years ended 31 December 2014 and 31 December 2015, compared with the percentage increase in the same years for all UK employees of the Group where UK employees have been selected as the most appropriate comparator.

	2014	**2015**	% change
Salary for year ended 31 December			
Group Chief Executive (£000)[1]	650	**800**	29
All UK employees (£m)[2]	832	**650**	(22)
Benefits for year ended 31 December			
Group Chief Executive (£000)[1]	148	**191**	29
All UK employees (£m)	31	**34**	10
Annual bonus earned in year ended 31 December			
Group Chief Executive (£000)[3]	–	**451**	100
All UK employees (£m)	18	**26**	44
Total remuneration for year ended 31 December			
Group Chief Executive (£000)	798	**1,442**	81
All UK employees (£m)	881	**710**	(19)

[1] For 2014, salary, benefits, annual bonus and total remuneration received by Andrew McNaughton, annualised to reflect amounts receivable for a full year's service in role.
[2] Reflects reduction in UK headcount year-on-year following the disposal of Parsons Brinckerhoff in October 2014.
[3] Andrew McNaughton did not qualify for a 2014 AIP award.

Relative importance of spend on pay, dividends and underlying pre-tax profit

The following table shows the Company's actual spend on pay for all Group employees relative to dividends and underlying pre-tax profit:

	2014	**2015**	% change
Staff costs (£m)[1]	1,896	**1,124**	(41)%
Dividends (£m)	96	**0**	(100)%
Underlying pre-tax profit/(loss) (£m)[2]	(41)	**(124)**	(202)%

[1] Staff costs include base salary, benefits and bonuses for all Group employees in continuing and discontinued operations (excluding joint ventures and associates).
[2] Underlying pre-tax profit/(loss) is from continuing and discontinued operations.

Directors' pensions and pension allowances

No Directors were contributing members of the Balfour Beatty Pension Fund during 2015.

Peter Zinkin was the only Director to participate in the Balfour Beatty Pension Fund (the Fund) as a contributing member during 2014. Peter Zinkin participated in the defined contribution (DC) section up to 31 January 2014. He opted out of the DC section of the Fund on 31 January 2014 and became a deferred pensioner of the DC section of the Fund at this date.

The DC section of the Fund is a money purchase scheme with a normal retirement age of 65. The Fund operates a Fund-specific earnings cap for pension purposes. Peter Zinkin's pensionable earnings were subject to the Fund-specific earnings cap. Peter Zinkin paid an annual contribution equal to 5% of contributory salary for the period to 31 January 2014 via the Group's SMART Pensions salary sacrifice arrangement as outlined in Note 2 in the Directors' remuneration table on page 76. A salary supplement was paid to Peter Zinkin in lieu of pension contributions on earnings above the Fund-specific earnings cap for the period to 31 January 2014 and this is included in the Directors' remuneration table on page 76. A salary supplement was paid to Peter Zinkin in lieu of Fund membership from 1 February 2014 and this is included in the Directors' remuneration table on page 76.

Duncan Magrath and Peter Zinkin both previously participated in the defined benefit (DB) section of the Fund. The DB section of the Fund provides for a pension at a normal retirement age of 62, although the majority of benefits can be taken unreduced from age 60.

Duncan Magrath opted out of the DB section of the Fund on 5 April 2012 and became a deferred pensioner. In accordance with the Fund rules, his deferred pension was revalued in the year in line with price inflation (measured by the Retail Prices Index). He chose not to participate in the DC section of the Fund. Duncan Magrath was paid a salary supplement in lieu of Fund membership which is included in the Directors' remuneration table on page 76.

Peter Zinkin opted out of the DB section of the Fund on 31 December 2010 and has been receiving his DB pension from 1 January 2011. He has not accrued any further DB pension in the Fund since 31 December 2010.

The pension table below sets out the accrued DB deferred pension based on each executive Director's service to his date of becoming a deferred pensioner of the Fund. The pension amount for Duncan Magrath is the value of the increase in his DB deferred pension, in excess of price inflation (measured by the Consumer Prices Index), over the year ended 31 December 2015. The pension amount for Peter Zinkin is the amount of the employer contributions paid to the DC section of the Fund excluding any SMART Pensions salary sacrifice amounts. Figures for 2014 are included for comparative purposes. The pension amounts are included in the Directors' remuneration table on page 76.

Name of Director	**Age at 31 December 2015 Years**	Accrued DB deferred pension at 31 December 2014[1] £ pa	**Accrued DB deferred pension at 31 December 2015[1] £ pa**	Pension amount 2014[2] £	**Pension amount 2015[2] £**
Duncan Magrath[3]	**51**	39,979	**40,399**	–	**–**
Peter Zinkin[4]	**62**	n/a	**n/a**	2,350	**–**

[1] These amounts represent each Director's accrued DB deferred pension at the relevant date. In accordance with the Fund Rules, accrued DB deferred pension in excess of Guaranteed Minimum Pension has been increased in line with the Retail Prices Index between each Director's date of becoming a deferred pensioner of the Fund and the relevant date.
[2] The amounts for Duncan Magrath represent the value of the increase in excess of inflation (where inflation is measured as the annual increase in the Consumer Prices Index to the September before the relevant date) of the accrued DB deferred pension over the period. The increase in benefits has been calculated using HMRC methodology and then multiplied by a factor of 20. The figures for Peter Zinkin represent the contributions paid over the period by the Company into the DC section of the Fund excluding any SMART Pensions salary sacrifice amounts.
[3] The accrued DB deferred pension figures shown for Duncan Magrath include his DB benefits in the Fund purchased with Additional Voluntary Contributions (AVCs). In May 2013, the Fund paid an Annual Allowance tax charge of £27,249 to HMRC on Duncan Magrath's behalf in a Scheme Pays arrangement. The value of this tax charge has been recorded as a negative DC contribution in respect of Duncan Magrath and will be rolled up to the Director's retirement date, at which point it will be used to reduce the level of DB pension to which he is entitled from the Fund. The pensions table above makes no allowance for Duncan Magrath's Scheme Pays arrangement. The accrued DB deferred pension figures for Duncan Magrath are at 31 December 2014 and 8 May 2015.
[4] Peter Zinkin has not accrued any DB benefits in the Fund since 31 December 2010. Peter Zinkin participated in the DC section from 1 January 2011 to 31 January 2014, and the Company paid £2,350 into this arrangement during 2014, in addition to his SMART Pensions salary sacrifice of £588.

Remuneration report continued
Annual report on remuneration continued

External appointments of executive Directors

During 2015, Duncan Magrath acted as a non-executive director of Brammer plc and received and retained fees of £16,786 to 8 May 2015; Peter Zinkin served as a local authority councillor and received and retained fees of £2,649 to 26 March 2015; and Leo Quinn acted as a non-executive director of Betfair Group plc until 2 February 2016 and received and retained fees of £60,000 during 2015.

Consideration by the Directors of matters relating to Directors' remuneration

The members of the Remuneration Committee are independent non-executive Directors, as defined under the Corporate Governance Code. No member of the Committee has conflicts of interest arising from cross-directorships and no member is involved in the day-to-day executive management of the Group. During the year under review, the members of the Committee were as follows:

- Iain Ferguson (Committee chair)
- Philip Aiken
- Stuart Doughty
- Maureen Kempston Darkes
- Steve Marshall
- Graham Roberts.

Philip Aiken and Stuart Doughty joined the Committee on appointment to the Board (26 March 2015 and 8 April 2015 respectively). Stuart Doughty stepped down from the Committee on 14 January 2016 as part of a general review of committee membership by the Board. Steve Marshall was a member of the Committee to 26 March 2015.

The Committee also receives advice from several sources, namely:

- the Group Chief Executive and the Group HR director, who are invited to attend meetings of the Committee but are not present when matters relating directly to their own remuneration are discussed
- New Bridge Street (a trading name of Aon plc) (NBS).

NBS has been appointed as external independent executive remuneration advisers by the Committee and has provided a range of advice to the Committee during the year, including:

- annual update for the Committee on developments in best practice, market experience and regulatory requirements for all remuneration elements
- assistance with the drafting of the Remuneration report
- valuation of share-based payments for IFRS 2 purposes
- calculation of vesting levels under the TSR element of the PSP awards
- advice in connection with certain Board changes during the year.

Neither NBS nor any part of Aon plc provided any other services to the Company during the year under review. Total fees paid to NBS in respect of its services to the Committee were £45,871 (2014: £85,922).

NBS is a signatory to the Remuneration Consultants' Code of Conduct. The Committee is satisfied that the advice that it receives from NBS is objective and independent.

Statement of shareholder voting at AGM

At the AGM on 14 May 2015, the resolution to approve the Remuneration report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	326,935,338	68.03%
Against	153,641,260	31.97%
Total votes cast	480,576,598	100%
Abstentions	19,764,175	

The Committee noted the significant number of votes cast against the advisory vote on the Directors' Remuneration report at the 2015 AGM. While 2014 was a challenging period for the Company, requiring some difficult decisions in respect of remuneration, the Committee has noted the feedback received both before and after the AGM.

By order of the Board

Iain Ferguson
Chairman of the Remuneration Committee

14 March 2016