

GROUP TENDER AND INVESTMENT COMMITTEE

1. Membership

1.1 The Committee (GTIC) shall be appointed by the Board and its membership shall be as set out in the Board Committee Membership Schedule.

2. Chairman

2.1 The Chairman of the GTIC shall be the Chief Executive but, in his absence, the Chief Financial Officer, or in his absence the CEO of Investments or either of Mr Stephen Tarr, Mr John Moore or Mr Ray Bond.

2.2 No member may chair a meeting at which that part of the business for which he has executive responsibility is presenting a proposal for approval.

3. Secretary

The Secretary of the Company (or their nominee) will be Secretary of the GTIC.

4. Quorum and attendance at meetings

4.1 The quorum shall comprise no less than two members, of whom at least one shall either be the Chairman as defined in clause 2, above

4.2 Group Finance will be invited to attend all meetings. In addition, the Chairman shall ensure that appropriate representatives from specialist function or areas of the business are invited to and relevant meetings to assess and advice upon the complexity and risk profile of the project. If any invitee is unable to attend, separate agreement with what is being proposed must be obtained.

5. Frequency of Meetings

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

6. Notice of Meetings

6.1 Meetings of the GTIC shall be convened by any of the members.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of the items to be discussed, shall be provided to each member of the GTIC no less than two working days prior to the date of the meeting. Supporting papers shall be sent to members of the GTIC and to other attendees as appropriate at the same time.

7. Minutes of Meetings

7.1 The Secretary shall minute the proceedings and resolutions of all GTIC meetings including recording the names of those present and in attendance.

- 7.2 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 the meeting.
- 7.3 Minutes of GTIC meetings shall be made available to all members of the GTIC and to all members of the Board upon request unless a conflict of interest exists. A schedule, in an agreed form, summarising the proposal and outcome of the meeting shall be provided to each meeting of the Board.
- 7.4 A resolution signed by such members of the GTIC as would, if present at a meeting of the GTIC, form a quorum, shall be effective as a resolution duly passed at a meeting of the GTIC.

8. **Duties**

- 8.1. Contracts must be submitted to the GTIC for review and approval at the relevant stages of their development via a series of 8 Gate reviews. The Balfour Beatty business lifecycle and the timing requirements for each Gate review are shown in Appendix 1.
- 8.2 The required level of review at each Gate will be based on a risk based assessment of whether a project is Task, Standard, Major, Complex or Major Complex. Appendix 2 provides a description of each level, with examples. Appendix 3 shows the required level of review by project type for each Gate.
- 8.3 The following contracts, must be reviewed by the GTIC regardless of size:-
 - 8.3.1 Any contract which might involve risks which are considered to be outside the ordinary course of business, such risks to include unusual or material concerns in relation to execution or cost and which could result in political or public opinion pressure, or which could affect the reputation of the Group.
 - 8.3.2 Any contract where financial liabilities cannot be capped at an amount no greater than the contract value, or £3m, whichever is greater. In cases where such exposure is normal practice and well understood, (eg in contracts with the Highways Agency in the UK or other UK/US government bodies) this will require blanket GTIC approval, such approval to be reviewed on a periodic basis, but at least annually.
 - 8.3.3 Any contract where there are significant (defined as over £10m) credit requirements on the Group in the provision of bonds (other than contingent bonds, including performance bonds and US surety bonds), letters of credit or contract funding.
 - 8.3.4 Any contract with a negative cash flow.
 - 8.3.5. Any contract with payment terms that are not consistent with the requirements of the business.
 - 8.3.6 Any contract that requires the creation of new fiscal entities.

- 8.3.7 Any contract that potentially gives rise to any tax risk outside of the ordinary course of business.
- 8.3.8 Any contract with a customer where there is or has been within the past 5 years, a material claim or dispute.
- 8.3.9 Any contract deemed to require review by GTIC by any Directors as outlined in 3.
- 8.4 The GTIC may delegate authority related to 8.3.4 and 8.3.5, above, to the Group Vice President Commercial and/or the Group Commercial Director against suitable authority limit's the GTIC deem appropriate.
- 8.5 Any contract undertaken by Balfour Beatty Investments and any housing project where there is open market sales risk will require a Gate 3 and Gate 4 review regardless of project type.
- 8.6 The GTIC has authority to approve:
- 8.6.1 **Capital Grant Applications**
- This authority covers all proposed capital expenditure except as otherwise covered by paragraph 8.6.2 below.
- 8.6.2 **Investment (and Divestment) Applications**
- The purchase and sale of companies, businesses or parts of businesses.
- in accordance with the limits from time to time determined by the Board (Appendix 4).
- 8.7 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 UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, as appropriate.

9 **Reporting Procedures**

The GTIC shall submit reports to the Board concerning matters reviewed and, in special cases, shall make ad hoc reports on matters requiring the Board's specific attention.

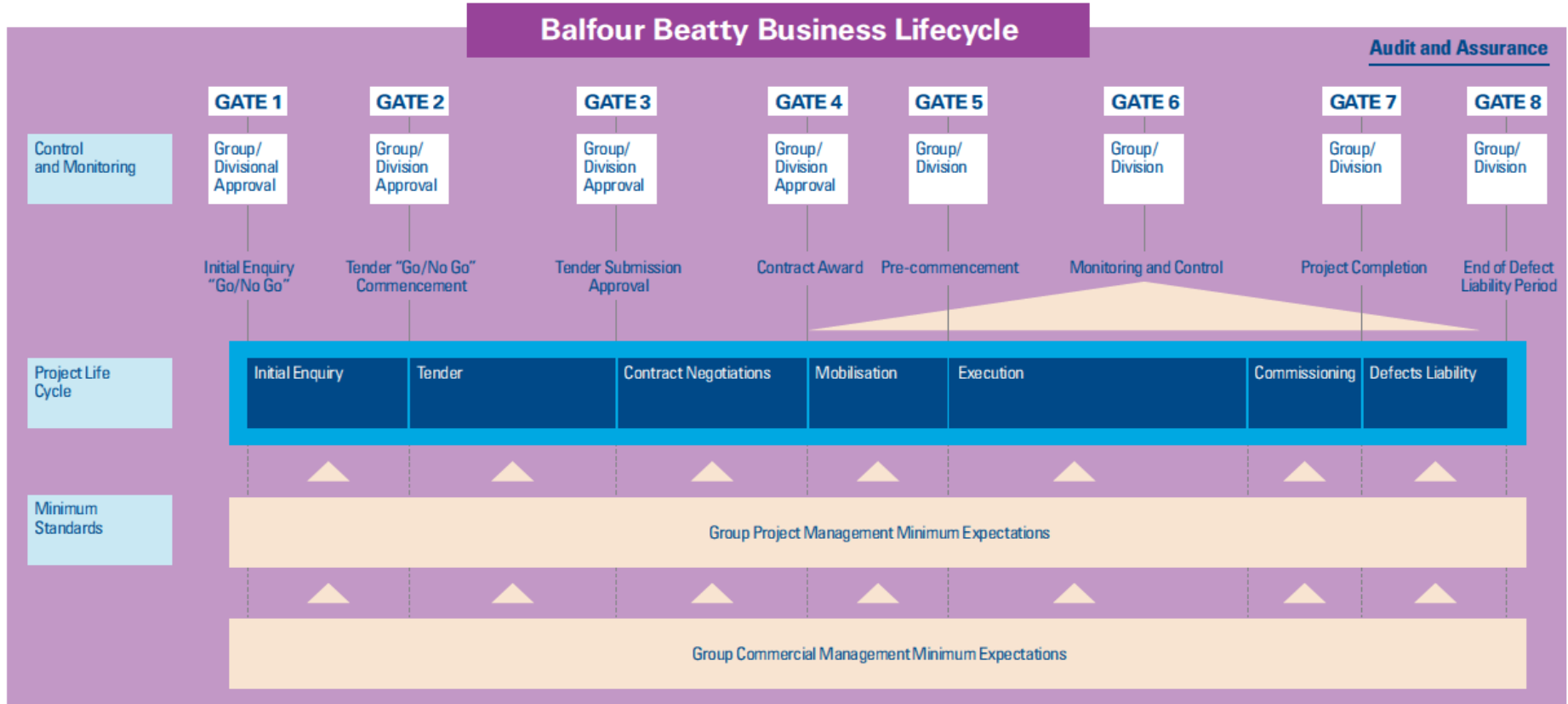
10 **Other**

The GTIC shall review at least once a year its terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board.

11 **Authority**

The GTIC is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.

APPENDIX 1



APPENDIX 2: Categorisation of Projects and Approval Levels

CATEGORY	PROJECT DESCRIPTION	APPLICATION/CONTRACT TYPE/RISK
Task	The simplest of delivery contracts, well within Normal Business* for the BU/SBU. Very limited Quantum/Scope risk.	Contracts of the following kind with no Unusual Contract Risks* and Standard Design Responsibility* only: <ul style="list-style-type: none"> • Cost plus contracts • Simple re-measurable contracts with client-issued bills of quantity • Schedule of Rates Contracts.
Standard	Contracts performed by the BU/SBU as part of Normal Business*, with increased Quantum/Scope risk as compared to Task category contracts. May involve more than one BU/SBU but low inter-dependence.	Contracts of the following kind with no Unusual Contract Risks* and Standard Design Responsibility* only: <ul style="list-style-type: none"> • Lump Sum contracts • Target Price Contracts with well-defined scope. • Contracts executed by more than one SBU under a JWA* • Task and Standard contracts carried out in joint venture with partners we have successfully joint ventured with in the past 5 years
Major	Task or Standard category contracts performed as part of Normal Business, but of a scale (either contract value or total expected value for long frameworks) that the value or volume of the works introduces additional risks (eg resourcing, logistics, credit risk) and could be material to the SBU	Task and Standard Contracts as above with a contract value or, for frameworks, an aggregate framework value exceeding: <ul style="list-style-type: none"> • £100m for the UK Construction and Major Projects SBUs • £100m for Gammon JV, and contracts outside Hong Kong; and • £50m for the Rail UK, Gas & Water and Power T&D SBUs; • £35m for Dutco/BB JV and BKG JV contracts in Dubai, and all contracts outside Dubai
Complex	Contracts involving risks (be they location, customer (including credit), partner, scope, design, political, commercial or reputation) which are material to the Group Contracts specified as Complex by GTIC	<ul style="list-style-type: none"> • Contracts outside the Normal Business* or geography of the BU or SBU • Contracts carried out in joint venture with new joint venture partners or partners with whom we have been in material dispute in the last 5 years. • EPC contracts; contracts involving process risk or process performance guarantees • Contracts with Unusual Contract Risks* • Contracts requiring the acceptance of more than Standard Design Responsibility* • Contracts which could give rise to political or public opinion pressure on the Group or adversely affect the Group's reputation • Customer contracts with payment terms worse for the Group than month plus 30 days

APPENDIX 2: Categorisation of Projects and Approval Levels (cont)

<p>Major Complex (cont)</p>	<p>Contracts involving risks (be they location, customer (including credit), partner, scope, design, political, commercial or reputation) which are material to the Group</p> <p>Contracts specified as Complex by GTIC</p>	<ul style="list-style-type: none"> • Contracts with negative cash flow, unless with the prior written approval of the Group CEO or CFO • Contracts requiring both a Performance Bond and a Parent Company Guarantee as credit support, unless with the prior written approval of the Group CFO • Contracts with customers with whom there has been a material dispute in the last 5 years, unless with the prior written approval of the Group CEO or CFO • Maintenance contracts of 2+ years duration (unless it is part of Normal Business) • Fee contracts with a value exceeding £25m (unless it is part of Normal Business)
<p>Major Complex</p>	<p>Complex category contracts, but of a scale requiring Group oversight</p>	<ul style="list-style-type: none"> • Contracts specified as Major Complex by the GTIC

APPENDIX 3: Gate Approval Requirements

Gate No.	Gate description	Task	Standard	Major	Complex	Major Complex
Gate 01	Initial enquiry "Go/No Go"	BU	BU TIC	SBU TIC	SBU TIC	Group TIC
Gate 02	Tender "Go/No Go" commencement	BU TIC	SBU TIC	SBU TIC	Group TIC	Group TIC
Gate 03	Tender submission approval	BU TIC	SBU TIC	Group TIC	Group TIC	Group TIC
Gate 04	Contract award	BU TIC	SBU TIC	Group TIC	Group TIC	Group TIC
Gate 05	Pre-commencement	BU TIC	SBU TIC	Group TIC	Group TIC	Group TIC
Gate 06	Monitoring and control	BU TIC	BU TIC	BU TIC	SBU TIC	Group TIC
Gate 07	Project completion	BU TIC	BU TIC	BU TIC	SBU TIC	Group TIC
Gate 08	End of defect liability period	BU	BU TIC	BU TIC	BU TIC	SBU TIC

SBU: Strategic Business Unit
 Division: CSUK, CSUS, BBSS, BBII, BB Investments
 TIC: Tender Investment Committee

APPENDIX 4: Authority Limits at 12 January 2017

(i) Capital Grant, Investment and Divestment Applications

Category 1 BB Board	Category 2 GTIC
Over £25.0m	Over £2m *

*Excluding investment and divestment applications, all of which require GTIC approval, irrespective of value.

Note

Expenditure limits exclude revenue related costs but (a) include incremental working capital and (b) are to be subject to the existing special rules on leasing, hire purchase and renting of plant, property and motor vehicles as contained in the Group Finance Manual.