

Balfour Beatty plc

("Company")

Remuneration Committee ("Committee")

TERMS OF REFERENCE

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 (as amended from time to time).
- 1.2 The Committee shall comprise of not less than three members, all of whom shall be independent Non-Executive Directors.
- 1.3 The Chair of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chair.
- 1.4 The Chief Executive and the Human Resources Director shall normally attend at the invitation of the Committee.
- 1.5 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.
- 1.6 The Board shall appoint the Chair of the Committee who shall be an independent Non-Executive Director who, before appointment as Chair, has served on a remuneration committee for at least 12 months. The Chair of the Company shall not be eligible to be appointed as Chair of the Committee. In the absence of the Chair of the Committee and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting, who would qualify under these terms of reference (save that the experience requirement may be disregarded if no remaining member has such experience).

2. Secretary

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

3. Quorum

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

4. Frequency of Meetings

The Committee shall meet at such times as the Chair 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 Chair 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 invited or 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 Chair 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 Chair 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 has delegated responsibility for designing and determining remuneration for the Chair, Executive Directors and Senior Management, all other members of Executive Committee, any other individual who reports directly to the Chief Executive (excluding personal or executive assistants) and the Company Secretary. The remuneration of the Non-Executive Directors should be determined by a sub-committee of the Committee or, alternatively, by the Board, provided that no Director should be involved in deciding their own remuneration outcome. The Committee is also responsible for reviewing succession plans and reporting on the implementation of the objectives of the Diversity & Inclusion policy and gender balance in Senior Management.
- 8.2 The Committee shall:
- 8.2.1 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.
 - 8.2.2 determine and recommend to the Board the broad policy for the remuneration of the Chair of the Company and the Executive Directors and the Executive Committee and the Company Secretary. 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 Chair of the Company, each Executive Director and the Executive Committee and the Company Secretary 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) recommend to the Board for its approval, any proposed changes to roles and employment contract terms of Executive Directors.

In determining individual remuneration packages and arrangements, the Committee shall give due regard to the comments and recommendations of the U.K. Corporate Governance Code 2018 (the "Code") as well as the general duties of Directors set out in the Companies Act 2006 (the "Act") and the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules.

- 8.2.3 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 Chair, with any such approvals being subsequently reported to the Committee.
- 8.2.4 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.

- 8.2.5 lay down procedures from time to time for the reimbursement of any Directors' claims for expenses.
 - 8.2.6 ensure that provisions regarding disclosure of remuneration in the Company's Annual Report and Accounts, including pensions, are fulfilled.
 - 8.2.7 review the alignment of incentives and rewards with culture.
 - 8.2.8 review from time to time the Company's organisational design and talent capability commensurate and consistent with its strategic goals, including:
 - (a) the overall talent management processes including sourcing (recruitment and selection), assessment, development and succession; and
 - (b) performance management practices and outcomes.
 - 8.2.9 regularly review the structure, size and composition (including the balance of skills, knowledge and experience) of the Board (consider the length of service of the Board as a whole) and make recommendations to the Nomination Committee with regard to any adjustments that are deemed necessary.
 - 8.2.10 be responsible for identifying and nominating candidates from a wide range of backgrounds for consideration by the Nomination Committee, to fill Board vacancies as and when they arise, with regard to the role and capabilities required for a particular appointment based on evaluation of the skills, experience and knowledge on the Board and the future challenges affecting the business.
 - 8.2.11 keep under review the leadership needs of the organisation, both at Board level and for senior appointments with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
 - 8.2.12 make arrangements as it sees fit (and in collaboration with the Chair of the Board and Senior Independent Director) for the evaluation of the performance of all members of the Board, including the Chair, and of the Board itself and its Committees (with an externally facilitated board evaluation considered at least every three years).
 - 8.2.13 ensure that succession plans are based on merit and objective criteria and, within that context, promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
 - 8.2.14 evaluate the balance of skills, knowledge and experience on the Board and of the role and capabilities required and report on that to the Nomination Committee.
 - 8.2.15 ensure processes and plans are in place for an orderly succession to Board and employee positions and oversee the development of a diverse pipeline for succession.
 - 8.2.16 approve the Board's approach to diversity and inclusion.
- 8.3 Where a remuneration consultant is appointed, this will be the responsibility of the Committee. Members of the Committee will exercise independent judgement having regard

to their directors' duties and the Company's wider circumstance when, evaluating the advice of any external third parties and when receiving views from the Executive Directors and Senior Management.

8.4 The Committee shall give due consideration to laws and regulations, including the general duties of Directors set out in the Act, the provisions of the 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 Chair 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.

9.3 The Committee shall ensure that provisions regarding disclosure of information a set out in the Code, are fulfilled and produce a report of the Company's Directors' remuneration policy and practices to be included in the Company's annual report, which should include:

- An explanation of the strategic rationale for the Executive Directors' remuneration policies, structures and any performance metrics;
- Reasons why the remuneration is appropriate using internal and external measures, including pay ratio and pay gaps;
- Whether the remuneration policy operated as intended in terms of Company performance and quantum, and, if not, what changes are necessary;
- What engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
- What engagement with the workforce has taken place to explain how executive remuneration aligns with wider Company pay policy;
- To what extent discretion has been applied to remuneration outcomes and the reasons why;
- If any remuneration consultation has been used, identification of the consultant and a statement about any other connection it has with the Company or individual Directors;
- the process used in relation to the appointments, the Committee's approach to succession planning and how both support developing a diverse pipeline;
- the policy on diversity and inclusion, its objectives and linkage to Company strategy, how it has been implemented and progress on achieving those objectives; and
- the gender balance of those in senior management, as defined in the Code, and their direct reports.

10. Authority

10.1 The Committee is authorised by the Board to:

10.1.1 investigate, or cause to be investigated, any activity within its terms of reference;

- 10.1.2 seek any information it requires from any employee of the Company in order to perform its duties; and all employees are directed to co-operate with any request made by the Committee;
 - 10.1.3 obtain external professional services, funded by the Company, on any matter it considers appropriate to its terms of reference and invite such or other advisors to attend meetings as it deems necessary;
 - 10.1.4 meet for despatch of its business, adjourn and otherwise regulate its meetings as it sees fit;
 - 10.1.5 delegate any of its duties as is appropriate to such persons or person as it thinks fit; and
 - 10.1.6 avail itself of training it considers appropriate to ensure members have a sufficient understanding of the business of the Company and the environment in which it operates, and are kept up to date with relevant accounting, regulatory and legal developments including the general duties of directors set out in the Act, the provisions of the Code and the requirements of the FCA's Listing, Prospectus Regulation, and Disclosure Guidance and Transparency Rules as appropriate. This should include ensuring appropriate induction for new members, covering the role of the Committee, including its terms of reference and expected time commitment by members, and an overview of the Company's business model and strategy, identifying the main business and financial dynamics and risks, and meeting with key employees where relevant.
- 10.2 The Committee will be provided with sufficient resources to undertake its duties.