

## **Balfour Beatty plc**

("Company")

### **Remuneration Committee ("Committee")**

## **TERMS OF REFERENCE**

### **1. Membership**

1.1 The Committee shall comprise of at least three members, all of whom shall be independent Non-Executive Directors. The Chair of the Board may also serve on the Committee as an additional member if they were considered independent on appointment as Chair.

1.2 Appointments to the Committee are made by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee and shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members (other than the Chair of the Board if they are a member of the Committee) continue to be independent.

1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Head of Human Resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

1.4 The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director who should have served on a remuneration Committee for at least 12 months. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to Chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be Chair of the Committee.

### **2. Secretary**

The Secretary of the Company (or their nominee) shall act as Secretary to the Committee. They will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

### **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 and at least twice a year.

## **5. Notice of Meetings**

5.1 Committee meetings shall be called 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 forwarded to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent Committee members 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 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes 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. Engagement with Shareholders**

The Chair of the Committee shall attend the Annual General Meeting (the “**AGM**”) of the Company and shall respond to any shareholder questions on the Committee’s activities. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee’s areas of responsibility.

## **8. Duties**

The Committee shall

8.1 Have delegated responsibility for determining the policy for Directors’ remuneration and setting remuneration for the Chair, Executive Directors and all other members of the Executive Committee, and the Company Secretary, in accordance with the Principles and Provisions of the UK Corporate Governance Code 2018 (the “**Code**”).

8.2 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.

8.3 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, including laying down procedures for the reimbursement of any Directors’ expenses.

8.4 Ensure 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.

8.5 Appoint remuneration consultants and to commission or purchase reports, surveys or information which it deems necessary at the expense of the Company. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.

8.6 Within the terms of the agreed policy and in consultation with the Chair and/or Chief Executive, as appropriate, the Committee shall:

8.6.1 Determine the total individual remuneration package of each Executive Director, the Chair of the Company and members of the Executive Committee including bonuses, incentive payments and share options or other share awards;

8.6.2 Determine the policy for and scope of pension arrangements, service agreements for the Executive Directors, termination payments applicable thereto, and any other conditions of services;

8.6.3 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;

8.6.4 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 shareholding by Executive Directors that support alignment with long-term shareholder interests. Share awards are to be subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;

8.6.5 Design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values, clearly linked to the successful delivery of the company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances; and

8.6.6 Recommend to the Board for its approval, any proposed changes to roles and employment contract terms of Executive Directors.

8.7 Ensure that no Director or Executive Committee member is involved in any decisions as to their own remuneration outcome. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the Non-Executive Directors within the limits set in the Articles of Association.

8.8 In determining remuneration policy, consider all other factors which it deems necessary including relevant legal and regulatory requirements. The Committee shall give due regard to the provisions and recommendations of the Code and associated guidance as well as the general duties of Directors set out in the Companies Act 2006 (the “Act”). The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders.

8.9 Review the ongoing appropriateness and relevance of the remuneration policy.

8.10 Review the design of all share incentive plans for approval by the Board and, where required, shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for Executive Directors and Executive Committee members, and the performance targets to be used.

8.11 Review workforce remuneration and related policies.

8.12 Work and liaise as necessary with other Board Committees ensuring the interaction between Committees and with the Board is reviewed regularly. The Committee shall also liaise with the Nomination Committee regarding any adjustments that are deemed necessary within the Board in light of their structure, size and composition (including the balance of skills, knowledge and experience of members of the Board).

8.13 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.

## 9. Reporting

9.1 The Committee Chair shall report to the Board after each meeting on the nature and content of its discussion, recommendations, and action to be taken.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.

9.3 The Committee shall provide a description of its work in the annual report in line with the requirements of the Code, which should include:

9.3.1 An explanation of the strategic rationale for the Executive Directors’ remuneration policies, structures and any performance metrics;

9.3.2 Reasons why the remuneration is appropriate using internal and external measures, including pay ratio and pay gaps;

9.3.3 Whether remuneration policy operated as intended in terms of Company performance, quantum, and, if not, what changes are necessary;

9.3.4 What engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;

9.3.5 What engagement with the workforce has taken place to explain how executive remuneration aligns with wider Company pay policy;

9.3.6 To what extent discretion has been applied to remuneration outcomes and the reasons why;

9.3.7 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.

9.4 The Committee shall also ensure that provisions regarding disclosure of information as set out in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the company's annual report and put to shareholders for approval at the AGM as necessary.

9.5 If the Committee has appointed remuneration consultants, the consultant should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.

## **10. Other matters**

The Committee shall:

10.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required.

10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

10.3 Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidelines or recommendations regarding the remuneration of company directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate.

10.4 Ensure that a periodic evaluation of the Committee's own performance is carried out.

10.5 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11. Authority**

The Committee is authorised by the Board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.