

Balfour Beatty plc

(“Company”)

Matters reserved for the Board

as approved by the board of directors of the Company on 19 November 2019

References to the “**Board**” mean the board of directors of the Company.

References to the “**Group**” mean the Company together with its subsidiary undertakings.

References to “**Committee**” mean any of the Company’s standing committees.

References to “**Articles**” mean the Company’s articles of association, as amended from time to time.

References to “**Code**” mean the UK Corporate Governance Code 2018

1 PURPOSE

- 1.1 This document sets out the role and responsibilities of the Board in accordance with Provision 14 of the Code.
- 1.2 Amendments to any of these provisions is a matter reserved for the Board.

2 ROLE OF THE BOARD

- 2.1 The role of the Board is to be effective and entrepreneurial and to promote the sustainable success of the Company, with regard to the:
 - 2.1.1 likely long-term consequences of decisions;
 - 2.1.2 interests of the Company’s employees;
 - 2.1.3 need to foster business relationships with suppliers, customers and others;
 - 2.1.4 impact of the Company’s operations on the community and the environment;
 - 2.1.5 desirability of maintaining a reputation for high standards of business conduct; and
 - 2.1.6 need to act fairly between the Company’s shareholders.
- 2.2 The Board, led by the Chair, takes responsibility for the overall leadership of the Company.

3 SPECIFIC MATTERS RESERVED FOR THE BOARD

The following matters are specific responsibilities of the Board and are reserved for the decision of the Board:

3.1 Strategy, Finance and Structure

- 3.1.1 Approval of strategic aims and objectives, including establishing the purpose and values of the Company (and thereby its Group), and ensuring these all align with the Company's culture. The assessment and monitoring of the Company's culture, seeking assurances that corrective action has been taken where necessary.
- 3.1.2 Approval of interim and final financial statements (including the principal accounting policies).
- 3.1.3 Approval of all interim dividends and of the recommendation of a final dividend (and any dividend policy).
- 3.1.4 Approval of any recommendations to shareholders for the appointment or removal of external auditors following advice from the Audit & Risk Committee.
- 3.1.5 Approval of the Group's annual operating budget.
- 3.1.6 Approval of changes relating to the Company's capital structure, or its plc status.
- 3.1.7 Any decision to cease to operate all or any material part of the Company's or its Group's business
- 3.1.8 Approval of the extension of the activities of the Company or its Group into new business areas.
- 3.1.9 Any sale or purchase of assets or shares from or by a member of the Company's Group that is of material financial or strategic value
- 3.1.10 Approval of corporate investments or divestments and capital expenditure (capex) above £25m.

3.2 Board Constitution and Succession Planning

- 3.2.1 Approval of appointments to the Board, including the Chair and the Chief Executive Officer and the Company Secretary following recommendations by the Nomination Committee, as appropriate.
- 3.2.2 Approval of the allocation of responsibilities between the Chair and the Chief Executive and approval of the appointment and allocation of responsibilities of the Senior Independent Director, following advice from the Nomination Committee, as appropriate.
- 3.2.3 Assessment of the independence of non-executive directors.
- 3.2.4 Approval of the terms of reference and membership and delegated authority of all Committees, and the establishment of any new committee of the Board.
- 3.2.5 Identify and manage conflicts of interest, including those resulting from significant shareholdings, and authorise conflicts of interest where permitted by the Articles.

3.3 Communications

- 3.3.1 Approval of circulars to shareholders, including the notice of annual general meeting, and approval of supplementary listing particulars and the Annual Report and Accounts
- 3.3.2 Approval of press releases announcing interim and final results and any trading statement,

- 3.3.3 Approval of any explanation required to accompany voting results where 20 per cent or more of votes have been cast against the Board's recommendation for a resolution proposed at the annual general meeting of the Company.

3.4 Policies and Donations

- 3.4.1 Establishment and maintenance of a framework of prudent and effective controls, to enable risk to be assessed and managed, including assessing the basis on which the Company generates and preserves value long-term.
- 3.4.2 Approval of policies and systems for the management of ethics and compliance throughout the Group.
- 3.4.3 Approval of any political donations within the parameters set by the shareholders at the Company's annual general meeting.
- 3.4.4 Following advice from any Committee, approval of policies relating to:
- (i) the health and safety of employees or others affected by the Company's or its Group's operations,
 - (ii) the effect of the Company's or its Group's operations on the environment and
 - (iii) whistleblowing.

3.5 Pension, Indemnities and Remuneration

- 3.5.1 Approval of any material change to the Company's Pension Scheme(s) which is within the power of the Company to make or prevent.
- 3.5.2 Approval of the grant by the Company of an individual indemnity to any director or any other person.
- 3.5.3 Approval of the broad policy for the remuneration of the Chairman of the Company and the other Executive Directors, following advice from the Remuneration Committee, as appropriate.
- 3.5.4 Determination of the remuneration of the non-executive directors, subject to the Company's articles of association and approval of shareholders, as required. No director shall be involved in any decisions as to his or her own remuneration.

3.6 Stakeholders

- 3.6.1 Effective engagement with and participation from shareholders and stakeholders on an ongoing basis so that the Board has a clear understanding of the views of shareholders and the Company's other key stakeholders.
- 3.6.2 Engagement with shareholders in relation to any resolution which was recommended by the Board but opposed by 20% or more of the votes cast and communication of the explanations recommended in the Code.
- 3.6.3 Approval of mechanisms by which the Board will engage with the workforce in accordance with the recommendations of the Code and / or explaining what alternative arrangements are in place and why they are considered effective.

- 3.6.4 Routine review of the method for the workforce to raise concerns in confidence and (if they wish) anonymously and any reports arising from its operation, as well as the arrangements for the proportionate and independent investigation of such matters and for follow-up action.

4 Delegation

- 4.1.1 Significant matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees.

5 Other matters

- 5.1.1 In addition, the Board will receive reports and recommendations from time to time on any matter which it considers appropriate.