

## **Balfour Beatty plc (the “Company”) Audit & Risk Committee (the “Committee”)**

### **TERMS OF REFERENCE** Adopted on 10<sup>th</sup> March 2025

#### **1. Purpose**

- 1.1.** The role of the Committee is to assist the Board in fulfilling its responsibilities related to Group financial statements, risk management and financial controls and overseeing the internal and external audit functions.
- 1.2.** Additionally, the Committee has responsibilities for maintaining an appropriate relationship with the Company’s external Auditor on behalf of the Board.

#### **2. Membership**

- 2.1.** The Committee shall comprise at least three members, all of whom shall be independent non-executive Directors of the Company, appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee. Appointments shall be for a period of up to three years, extendable by no more than two additional three-year periods, provided members continue to be independent.
- 2.2.** At least one member of the Committee shall have recent and relevant financial experience, and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 2.3.** Only members of the Committee have the right to attend Committee meetings. However, other individuals such as Board members, the Group Financial Controller, the Group Risk and Audit Director and representatives of the external auditors may be invited to attend for all or part of any meetings as and when appropriate.

**2.4.** The Board shall appoint the Chair of the Committee who shall be an independent Non-Executive Director. 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.

**3. Secretary**

**3.1.** The Secretary of the Company (or their nominee) will act as the Secretary of 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 issues.

**4. Quorum**

**4.1.** The quorum necessary for the transaction of business shall be two members of the Committee, in person or virtually.

**5. Frequency of Meetings**

**5.1.** The Committee shall meet at such times as the Chair of the Committee shall require and at least four times each year.

**5.2.** At least once a year the Committee shall meet separately with the external auditors and with the Group Risk and Audit Director without Management present.

**5.3.** The external auditors, the Chief Financial Officer, Group Risk and Audit Director, the Group General Counsel and the US Chief Compliance Officer shall each have the right to request such meetings (paragraph 5.2) at any time if they consider them necessary.

**6. Notice of Meetings**

**6.1.** 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, or at the request of the Chief Financial Officer, external audit lead partner, Group Risk and Audit Director, Group General Counsel or US Chief Compliance Officer.

**6.2.** Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall normally 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.

**7. Minutes of Meetings**

- 7.1.** The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2.** 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.
- 7.3.** Draft minutes of the Committee meeting shall be circulated to all members of the Committee. Once approved, minutes shall be circulated to all members of the Board (unless a conflict of interest exists).
- 7.4.** Where required, due to urgency or expediency, a decision may be recorded and agreed by all the members of the Committee electronically by email. Such a decision will be as effective as a resolution passed at a committee meeting.

**8. Engagement with Shareholders**

- 8.1.** 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. In addition, the Committee Chair shall seek engagement with shareholders on significant matters related to the Committee's area of responsibility as and when required.

**Duties**

- 8.2.** The Committee should have oversight of the Group as a whole, and unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

**9. Financial Reporting**

The Committee shall:

- 9.1.** keep under review the form, content and process for the preparation of the Company's statutory accounts and other published financial information of the Company and the

Group, including reviewing the Company's and the Group's accounting policies and its internal controls.

- 9.2.** monitor the integrity of the half-year and annual financial statements of the Company and any formal announcements relating to the Company's and the Group's financial performance, and any significant financial reporting judgements contained therein before submission to the Board, paying particular attention to and challenge where necessary:
- 9.2.1.** critical accounting policies and practices, and any changes in them;
  - 9.2.2.** decisions requiring significant elements of judgement or estimation, taking into account the external auditor's views on the financial statements;
  - 9.2.3.** the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
  - 9.2.4.** the clarity and completeness of disclosures;
  - 9.2.5.** significant adjustments resulting from the audit;
  - 9.2.6.** the going concern and viability assumptions;
  - 9.2.7.** compliance with accounting standards and, where estimates and judgements have been made by Management, these have taken into consideration the view of the external auditor;
  - 9.2.8.** compliance with the Financial Conduct Authority and other legal and regulatory requirements;
  - 9.2.9.** any material information presented with the financial statements, such as the strategy report and the corporate governance statement (insofar as it relates to audit and risk management);
  - 9.2.10.** any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and any Disclosure Guidance and Transparency Rules Sourcebook;
  - 9.2.11.** the impact of the funding position of the Balfour Beatty Pension Fund or other Group pension schemes;
  - 9.2.12.** any conflicts of interest or related party transactions; and
  - 9.2.13.** any proposed financial reporting by the Company which the Committee is not satisfied with, it shall report its views to the Board.

**10. Internal Controls and risk management systems**

- 10.1.** review the content of the annual report and accounts (including the Group's principal risks statements of the Group's internal controls and risk management framework, and the going concern and viability statements) and advise the Board on whether, taken as a whole, it is fair balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, risk profile, business model and strategy.
- 10.2.** review the adequacy and effectiveness of the Group's risk management and internal controls, including the systems established to identify, assess, manage, and monitor risks (whether new, emerging or existing) and receive reports from Management on the effectiveness of these, including the conclusions of any testing carried out by internal or external auditors and other assurance providers.
- 10.3.** oversee and advise the Board on the Company's and the Group's current risk exposures, including any risk to the Company's business model, solvency and liquidity risks, and future strategy for managing such risks.
- 10.4.** The Company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
- 10.5.** The Committee shall advise the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objective.

**11. Compliance, whistleblowing, and fraud**

- 11.1.** The Committee shall review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- 11.2.** The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 11.3.** Shall receive reports on issues raised through the Speak Up line, and review the results of investigations into material ethical or compliance breaches or allegations of misconduct.
- 11.4.** Review remedial actions and lessons learned in relation to material investigations when requested by the Group General Counsel, Chief Compliance Officer or Head of Ethics and Compliance, including reviewing disciplinary action and assessing remedial action

taken, giving guidance where necessary.

**11.5.** Review the company's procedures for detecting and preventing fraud.

**11.6.** Review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

**12.** **Climate metrics reporting**

**12.1.** Review and challenge where necessary the action and judgements of management in relation to climate metrics included as part of climate-related disclosures.

**13.** **Internal Audit**

**13.1.** Review and approve the role and mandate of internal audit. Monitor and review the effectiveness of its work and its relationship with the external auditors, including the annual approval of the internal audit charter and internal audit plan, and its reports on risk management process and the systems of risk management and internal control, ensuring they are appropriate for the current needs of the organisation and are aligned to the key risks of the business.

**13.2.** Monitor and review the effectiveness of the Group's internal audit function. As part of this assessment, the Committee shall determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business.

**13.3.** Approve the appointment or removal of the Group Risk and Audit Director.

**13.4.** Review and approve the terms of reference of the internal audit function.

**13.5.** Ensure that the function has unrestricted scope, the necessary resources and access to information to fulfil its mandate, ensure there is open communication between different functions and that the Internal Audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the Internal Audit function is equipped to perform in accordance with the appropriate professional standards for internal auditors.

**13.6.** Receive periodic reports on the results of the work of the Group Risk and Audit Director.

**13.7.** Review and monitor Management's responsiveness to their respective findings and recommendations; and meet the Group Risk and Audit Director at least once a year, without Management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, they shall be given the right of direct access to the Chair of the Board and to the Chair of the Committee, providing independence

from the Executive Directors and accountability to the Committee.

**14. External Audit**

- 14.1.** Make recommendations for the Board to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor, after assessing annually the qualifications, expertise, resources, independence, effectiveness and objectivity of the external auditor, and the overall effectiveness of the audit process, taking into account relevant UK professional and regulatory requirements. The Committee shall also take into account the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, including but not limited to the provision of any non-audit services.
- 14.2.** Develop and oversee the selection procedure for the appointment of the audit firm in accordance with the applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- 14.3.** If an external auditor resigns, investigate the issue leading to this and decide whether any action is required.
- 14.4.** Satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- 14.5.** Monitor the auditor's process for maintaining independence, its compliance with relevant law, regulation, other professional requirements, and ethical standards, including the guidance on the rotation of the audit partner and staff.
- 14.6.** Monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner, and assess these in the context of the relevant legal, professional, and regulatory requirements, guidance, and ethical standards.
- 14.7.** Meet regularly with the external auditor, including once at the planning stage before the audit and once at the reporting stage. The Committee shall review and approve the annual external audit plan and ensure that it is consistent with the scope of the audit

engagement and shall review the findings of the audit with the external auditor. This shall include, but not be limited to:

- 14.7.1.** a discussion of any major issues which arose during the audit;
  - 14.7.2.** the auditor's explanation of how the risks to audit quality were addressed;
  - 14.7.3.** key accounting and audit judgements;
  - 14.7.4.** the auditor's view of their interactions with senior management' and
  - 14.7.5.** levels of errors identified during the audit.
- 14.8.** The Committee shall also meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 14.9.** Develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit services to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include considerations of the following matters:
- 14.9.1.** threats to the independence and objectivity of the external auditor and any safeguards in place;
  - 14.9.2.** the nature of the non-audit service;
  - 14.9.3.** whether the external audit firm is the most suitable supplier of the non-audit service; and
  - 14.9.4.** the criteria governing compensation.
- 14.10.** Discuss with the external auditor the factors that could affect audit quality and review, and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 14.11.** Make recommendations to the Board regarding the remuneration and terms of engagement of the external auditor and ensure that key individuals within the appointed firm are rotated from time to time.
- 14.12.** Review the representation letter prepared by the external auditor and Management's response.
- 14.13.** review the Management letters and Management's response to the external auditor's findings and recommendations;
- 14.14.** Agree a policy on the employment of former employees of the external auditor, taking

into account, the applicable ethical standards and legal requirements, and monitor the implementation of this policy.

- 14.15.** Assess annually, the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.
- 14.16.** Seek to ensure coordination of the external audit with the activities of the internal audit function.
- 14.17.** Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communication with the Committee.
- 14.18.** Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.
- 14.19.** Develop and implement the policy for external audit tendering at least every ten years. in accordance with corporate governance practice and for regulatory requirements.

**15.        Other**

- 15.1.** Review Directors' expenses and benefits.
- 15.2.** Review, on behalf of the Board, the statement in the Company's Annual Report and Accounts concerning internal controls and risk management and on whether the Company's Annual Report and Accounts, taken as a whole, is "fair balanced and understandable" and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- 15.3.** Consider other topics as defined by the Board.
- 15.4.** 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 Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules, as appropriate.

**16.        Reporting Procedures**

- 16.1.** 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 and shall report to the

Board on how it has discharged its responsibilities. This report shall include:

- 16.1.1.** the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.) and how those were addressed;
  - 16.1.2.** its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, the length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans; and
  - 16.1.3.** any other issues on which the Board has requested the Committee's opinion.
- 16.2.** 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.
- 16.3.** The Committee shall produce an annual report of the Committee's duties and activities during the year, which will form part of the Company's Annual Report and Accounts, which shall describe among other things:
  - 16.3.1.** the significant issues that the Committee considered relating to the financial statements, and how these issues were addressed, having regard to matters communicated to it by the auditor;
  - 16.3.2.** an explanation on how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or the reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
  - 16.3.3.** in the case of a board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendations and the reasons why the Board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment);
  - 16.3.4.** where there is no internal audit function, an explanation for the absence, how internal assurance is achieved, and how this affects the work of external audit; and
  - 16.3.5.** an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services.

**16.4.** In compiling the reports referred to in 16.1 and 16.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the board's assessment of whether the Company is a going concern and the inputs to the board's viability statement. The report to the shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

**17. Authority and Resource**

**17.1.** The Committee is authorised by the Board to:

**17.1.1.** investigate, or cause to be investigated, any activity within the terms of reference;

**17.1.2.** seek any information it requires from any employee of the Company in order to perform its duties with all employees requested to co-operate with any request made by the Committee;

**17.1.3.** obtain external professional services, funded by the Company, on any matter it considers appropriate to its terms of reference and such advisers may attend meetings as necessary;

**17.1.4.** meet for dispatch of its business, adjourn and other regulate its meetings as it sees fit;

**17.1.5.** delegate any of its duties as is appropriate to such persons or person as it thinks fit;

**17.1.6.** avail itself of training it considers appropriate to ensure members have sufficient understanding of the business of the Company and the environment in which it operates, and also to ensure that members are kept up to date with relevant accounting, regulatory, legal and risk management developments 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 Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules 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, it may also

include meeting some of the Company's staff; and,

**17.1.7.** where there is disagreement between the Committee and the Board, and any such disagreement cannot be resolved, the Committee has the right to report the issue as a part of the report on the activities in the Company's Annual Report and Accounts.

**17.2.** The Committee will be provided with sufficient resources to undertake its duties.