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# Summary remuneration report

A resolution to approve the full Directors' remuneration report, which can be found on pages 16 to 22 of the Directors' report and accounts 2007, will be proposed at the AGM of the Company to be held on 15 May 2008.

## Remuneration Committee

The Remuneration Committee ("RemCo") consists entirely of independent non-executive Directors and has been chaired by Robert Walvis since November 2003. Its other members are Stephen Howard, Steven Marshall, Gordon Sage and Christoph von Rohr. Sir David John attends meetings by invitation. No member of the RemCo has any personal financial interest, other than as a shareholder, in the matters to be decided by the RemCo, nor potential conflicts of interest arising from cross-directorships, and no member of the RemCo has any day-to-day involvement in the executive management of the Group.

## Executive Directors' remuneration

### General policy

It is the policy of the RemCo to provide an overall remuneration package that is competitive and which facilitates the recruitment and retention of high calibre management. The annual and long-term incentive plans make up an important part of each executive Director's remuneration and are structured so as to motivate senior managers to deliver high standards of performance, without encouraging excessive risk taking. It is intended that the share-based elements of the package will not only drive performance over the long term but will also assist in aligning the interests of senior management with those of shareholders.

The structure of executive Directors' remuneration was similar in 2007 to that in 2006 and no significant changes to the existing policy are currently envisaged for 2008. Under the current arrangements, if target performance is achieved, basic salary will represent around one-half of total earnings. If maximum is achieved, which would involve a superior level of performance substantially in excess of business plan, basic salary will represent around one-third of total earnings.

### Basic salaries

It is the policy of the RemCo to set basic salaries at levels which it believes are competitive given the size and complexity of the Company, as well as the broad business sectors in which it operates. The RemCo looks to set basic salaries at around the median of the market, but also takes into account its own judgement of the performance of the Group's businesses and the performance of individual Directors. The RemCo intends to continue to use this approach in the foreseeable future. The basic salaries of executive Directors are reviewed annually at 1 July.

### Annual incentive plan

Each executive Director participates in an annual incentive plan, under which predetermined financial targets must be achieved before any payment is earned. The maximum potential bonus which could have been earned by executive Directors for 2007 was 80% of basic salary and the performance indicator chosen was profit before tax and exceptional items ("profit"). A bonus of 40% of basic salary would have been earned for the achievement of performance in line with target. Two-thirds of these bonuses are payable in cash, while the remaining one-third is deferred in the form of ordinary shares in the Company under the Deferred Bonus Plan (the "DBP"). These shares, along with shares awarded in lieu of dividends paid during the deferral period, will be released to the Directors after three years, providing they are still employed by the Company at that time (unless specified leaver conditions are met in which case early vesting may be permitted under the rules of the DBP). Bonuses are non-pensionable.

It is currently intended that the annual incentive plan for 2008 will operate in the same way as for 2007 and the RemCo will continue to review the competitiveness and structure of the annual incentive plan in future years.

### Long-term incentive scheme

The RemCo believes that performance related long-term incentives which align executives with both business strategy and shareholders' interests are an important component of overall executive remuneration arrangements.

The Company operates a Performance Share Plan (the "Plan") under which conditional awards of shares in the Company are made to executive Directors and other selected operational and functional senior managers. The maximum market value of any award, at the award date, will be 150% of basic salary, other than in exceptional circumstances, where the limit is 200% of basic salary. It is currently the intention of the RemCo that an award of 150% of salary will only be made to the Chief Executive, with the other executive Directors receiving conditional awards over shares with a market value of 125% of basic salary.

The awards will vest, subject to the achievement of performance conditions, three years after the date of grant. It is the intention of the RemCo to make awards under the Plan in 2008 and that the performance conditions will follow a similar format to those which apply to the award made in 2007. For this award there are two performance conditions each applying to separate parts of the award. 50% of an award is linked to an adjusted earnings per share growth target and the remaining 50% is linked to total shareholder return performance relative to a comparator group. There is no provision for the re-testing of these performance conditions.

The RemCo considers that the EPS and TSR performance conditions provide a good blend of performance metrics, with EPS growth rewarding strong financial performance and TSR rewarding stock market performance, providing a strong and direct alignment with investors.

### Pensions

The executive Directors participate in the Balfour Beatty Pension Fund (the "Fund"). This provides for a pension at a normal retirement age of 62 (under the Fund's rules) and each Director pays an annual contribution equal to 5% of pensionable salary. The pension for a Director who can complete 20 or more years' pensionable service at normal retirement age is targeted at two-thirds of final pensionable salary, subject to HMRC limits. If members choose to opt out of the Fund as a result of their benefits reaching or exceeding the Lifetime Allowance, a cash supplement will be payable to them. A Fund specific earnings cap has been maintained in the Fund for those members who were subject to the HMRC earnings cap and, in line with previous policy, a discretionary cash supplement will be paid in lieu of pension provision above the Fund specific earnings cap.

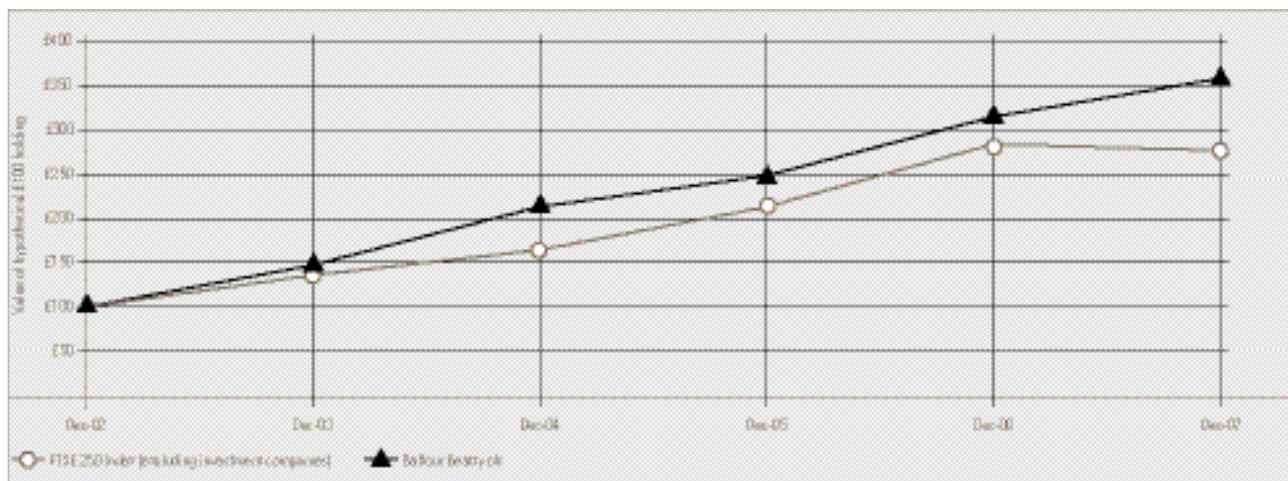
### Share ownership guidelines

To further align the interests of senior management with those of shareholders, executive Directors and other key senior managers are subject to share ownership guidelines. Executive Directors are required to build up a holding in ordinary shares in the Company to the value of 100% of their basic salary at a reference date. In order to achieve this, they will be expected to retain at least half of the shares (after payment of any taxes due) which vest from awards made under the Plan and the DBP. At 31 December 2007, each executive Director's shareholding in the Company exceeded this guideline. Details of the shareholdings of all the Directors can be found in the table on page 54.

### Performance graph

The graph below shows Balfour Beatty's Total Shareholder Return ("TSR") performance compared to the FTSE 250 Index (excluding investment companies) TSR over the five financial years ended 31 December 2007. This index has been chosen principally because this is a broad index of which the Company is a constituent member.

The values indicated in the graph show the share price growth plus reinvested dividends from a £100 hypothetical holding of ordinary shares in Balfour Beatty plc and in the index at the start of the period and have been calculated using 30 trading day average values.



### Service contracts

It remains the Company's policy and practice to include in executive Directors' contracts a 12 month rolling notice period from the Company and six months' notice on the part of the Director. This policy will continue in the future.

Service contracts of executive Directors do not include provision for specific payment in the event of early termination, nor do they provide for extended notice periods or compensation in the event of a change of control. The RemCo would seek to ensure that the Director fulfils his obligation to mitigate his losses in the event of termination and would also give consideration to phased payments where appropriate.

### Non-executive Directors

Non-executive Directors are appointed by the full Board following recommendations from the Nomination Committee. The Chairman's remuneration falls within the remit of the RemCo and the Board determines the terms on which the services of other non-executive Directors are provided. All non-executive Directors are elected for a term of three years and must retire and, if eligible, seek re-election at the AGM in the third calendar year following the year in which they were elected (or last re-elected). They are not eligible to join any pension scheme operated by the Company and cannot participate in any of the Company's share option, annual incentive or long-term incentive schemes. None of the appointment letters for non-executive Directors contain provision for specific payment in the event of termination for whatever cause. The fees of the non-executive Directors are reviewed from time to time with the last review having taken effect from 1 July 2006.

## Summary remuneration report continued

### Directors' remuneration earned in 2007

Name of Director	Basic salary £	Fees £	Pension supplement £	Benefits in kind £	Annual cash bonus £	Total remuneration 2007 £	Total remuneration 2006 £
J L Cohen	42,731	—	5,000	2,477	—	50,208	587,023
M J Donovan	—	42,000	—	—	—	42,000	22,500
S L Howard	—	42,000	—	—	—	42,000	21,000
Sir David John	—	190,000	—	—	—	190,000	181,500
S Marshall	—	49,000	—	—	—	49,000	44,000
A L P Rabin	367,500	—	64,129	19,655	202,667	653,951	561,928
G H Sage	—	42,000	—	—	—	42,000	37,500
I P Tyler	548,500	—	65,217	26,378	309,333	949,428	793,287
Dr H C von Rohr	—	62,548	—	—	—	62,548	58,048
R J W Walvis	—	49,000	—	—	—	49,000	44,000
P J L Zinkin	367,500	—	—	17,123	202,667	587,290	521,301
Former Directors	—	—	—	—	—	—	23,500
<b>Total</b>	<b>1,326,231</b>	<b>476,548</b>	<b>134,346</b>	<b>65,633</b>	<b>714,667</b>	<b>2,717,425</b>	2,895,587

#### Notes:

- Basic salary and fees were those paid in respect of the period of the year during which individuals were Directors. Jim Cohen retired from the Company on 18 February 2007.
- Jim Cohen, Anthony Rabin and Ian Tyler received taxable cash supplements in lieu of pension provision on their salary above the Balfour Beatty Pension Fund specific earnings cap.
- The performance target for annual bonus was profit before tax and exceptional items ("profit"). The profit for the year ended 31 December 2007 resulted in a bonus of 80% of basic salary for each executive Director. Two-thirds of this bonus is payable in cash and these are the amounts shown in the table above. The remaining one-third will be deferred in the form of ordinary shares in the Company which will be released to the Director on 31 March 2011, providing he is still employed by the Company at that time. The number of shares comprising the deferred element will be determined based on the share price at the award date of 31 March 2008.
- Awards made under the Performance Share Plan in 2004 to Jim Cohen, Anthony Rabin, Ian Tyler and Peter Zinkin vested during the year. At the date of vesting the closing market price was 476p and the value of the shares which vested was £280,516, £275,594, £324,813 and £305,126 respectively.
- Jim Cohen, Anthony Rabin and Peter Zinkin exercised savings-related share options during the year. The closing market prices on the dates of exercise ranged between 438.5p and 462.75p and the values realisable on exercise were £2,525, £1,603 and £2,888 respectively.

### Directors' interests

The beneficial interests of the Directors and their immediate families in the ordinary share capital of Balfour Beatty plc during the year are set out below.

Name of Director	Number of ordinary shares	
	At 1 January 2007	At 31 December 2007
M J Donovan	—	5,000
S L Howard	—	5,000
Sir David John	5,000	5,000
S Marshall	5,000	5,000
A L P Rabin	101,153	101,728
G H Sage	5,000	5,000
I P Tyler	113,005	133,005
R J W Walvis	10,000	10,000
P J L Zinkin	102,110	122,171