

REMUNERATION AND NOMINATIONS COMMITTEE OF THE BOARD OF LEIGHTON HOLDINGS LIMITED

Terms of Reference and Procedures

1.0 Objective

The objectives of the Remuneration and Nominations Committee are to:

- Review and approve the remuneration of Executive Directors and Group Executive Members;
- Review and make recommendations to the Board regarding:
 - The remuneration of Non-executive directors;
 - The remuneration policies and practices for the Group generally including the incentive plan, share scheme and other benefits;
 - Superannuation arrangements;
 - The membership of the Board, including proposed new appointments; and
 - Succession planning for the Board, the Chief Executive Officer (“CEO”) and the CEO’s direct reports.

2.0 Responsibilities

The responsibilities of the Committee will include:

- Monitoring the performance of the Group’s key executives to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company;
- Establishing a process for the identification of suitable candidates for appointment to the Board;
- Periodically evaluating the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment;
- Identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Considering candidates from a wide range of backgrounds and where appropriate engaging independent consultants to identify possible new candidates;
- Giving full consideration to succession planning of the Board, the CEO and the CEO’s direct reports taking into account the challenges and opportunities facing the Company and what skills and expertise are needed in the future;
- Establishing and reviewing a process for evaluating the performance of individual Directors and the Board as a whole;
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and Board Committees and make recommendations to the Board with regard to any changes;

- Keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace; and
- Ensuring that on appointment to the Board, Non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

Members of the Committee shall not participate in the review of their own performance.

3.0 Scope of Activities - Remuneration

(a) Remuneration Reviews

The Leighton Group undertakes annual remuneration reviews for all employees.

The current timing of the annual remuneration reviews is as follows:

- Australia: - Reviewed in the last calendar quarter of each year to become effective from 1 January.
- Leighton Asia (Northern and Southern): - Reviewed in the first calendar quarter of each year to become effective from 1 April.

Leighton Group companies also undertake interim reviews for employees in response to major market changes in compensation trends or in the case of the promotion of employees.

The Committee reviews and approves the level and contractual terms of the remuneration of the Chief Executive Officer (“CEO”) and of all senior executives who report directly to the CEO. The Australian based reports are reviewed at the Committee meeting held in February each year and the overseas based reports are reviewed at the Committee meeting held in April/May each year.

Recommendations in relation to this review are to be distributed to Committee members by 30 January and 30 April each year respectively.

The CEO has authority to approve all other levels of employee/executive remuneration within the parameters of the Remuneration Review guidelines which are prepared by the CEO and submitted to the Board for approval in November each year.

The CEO is to subsequently inform the Committee and the Board of the overall results of the review.

(b) Annual Incentive Plan

The annual incentive plan participation levels are determined in June each year and relate directly to the objectives as detailed in the Group's Business Plan.

The Committee reviews and approves the terms of the annual incentive plan and the participation levels of the CEO and of selected senior executives who report directly to the CEO at the Committee Meeting held in August each year. Recommendations from the CEO in relation to selected senior executives are to be distributed to Committee members by 31 July each year. The Company will provide the theoretical bonus calculation for the Chief Executive Officer for consideration by the Committee by 31 July each year.

The CEO has authority to approve all other levels of employee/executive incentive plan participation in accordance with the plan's guidelines.

The CEO is to subsequently inform the Committee and the Board of the overall operation of the annual incentive plan.

(c) Long Term Deferred Incentive Plan

The long term deferred incentive plan directly relates to objectives detailed in the Group's Business Plan and growth in profits. Participation levels are determined in June each year.

The Committee reviews and approves the terms of the long term deferred incentive plan and the participation levels of the CEO and of selected executives who report directly to the CEO at the Committee Meeting held in August each year.

Recommendations in relation to this review are to be distributed to Committee members by 31 July each year.

The CEO has authority to approve all other levels of senior executive deferred incentive plan participation in accordance with the plan's guidelines.

The CEO is to subsequently inform the Committee and the Board of the overall operation of the deferred incentive plan.

(d) Superannuation

The Company may amend the level of superannuation benefits or contributions in line with construction or superannuation industry trends.

All significant proposals to amend the basis of superannuation benefits or contributions are to be submitted to the Committee for approval.

(e) Remuneration of Non-executive Directors

The Committee will review the remuneration of Non-executive Directors on an annual basis. In making its recommendation to the Board, the Committee will have

regard to the level of fees paid to Non-executive Directors by other companies of similar size and stature.

4.0 Scope of Activities - Nominations

The Committee should make recommendations to the Board regarding:

- (a) Plans for succession for Executive and Non-executive Directors
- (b) Plans for succession for the CEO and, based on the CEO's recommendations, plans for succession of the CEO's direct reports;
- (c) Criteria for appointment as a Director of the Company;
- (d) The appointment of any new Director;
- (e) The re-appointment of any Non-executive Director at the conclusion of their term of office;
- (f) Any matters relating to the continuation in office of any Director at any time;
- (g) The appointment of any Director to executive or other office.

5.0 Membership

The membership of the Committee should:

- Comprise a minimum of three Directors with the majority of members being Non-executive Directors;
- Be Chaired by the Chairman of the Board or an Independent Non-executive Director.

The CEO will absent himself from the meetings before any discussion by the Committee in relation to his own remuneration.

6.0 Right to Obtain Advice

The Committee is entitled to:

- Obtain independent professional or other advice at the cost of the Company; and
- Obtain such resources and information from Group Companies, including direct access to employees of and advisors to Group Companies.

7.0 Meetings

The Committee shall meet as frequently as required but no less than twice a year.

A quorum for meetings will be two members.

The Chairman of the Committee, or delegate, shall report to the Board following each meeting and the minutes of each Committee meeting are to be circulated to the Board.

Minutes of proceedings and resolutions of Committee meetings shall be kept in accordance with the requirements of Clause 24 of the Company's Constitution.