

THE SHAW GROUP INC.

Compensation Committee Charter (adopted as of December 16, 2003)

The Compensation Committee of the Board of Directors (the “Committee”) has overall responsibility with respect to designing, approving, and evaluating the executive and director compensation plans, policies, and programs of The Shaw Group Inc. (the “Company”). The Committee shall also be responsible for determining the Company’s policy with respect to the application of Section 162(m) of the Internal Revenue Code of 1986, as amended, and when compensation may be paid by the Company that is not deductible for Federal income tax purposes.

In developing and implementing its plans and policies, the Committee should seek to attain the following corporate objectives:

- to attract, motivate and retain competent employees focused on enhancing shareholder value;
- to correlate compensation with Company objectives and strategies;
- to provide compensation opportunities that are linked to the performance of the Company; and
- to align employee incentives with those of the Company’s shareholders.

The Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Committee. The Committee may form and delegate some or all of its authority to subcommittees when it deems appropriate, provided that such subcommittees are composed of entirely independent directors and have a published committee charter. The Committee shall also have the authority to delegate certain responsibilities for day-to-day compensation issues to executive management of the Company.

Organization

The Company’s Board of Directors shall select two or more of its members, each of whom shall satisfy the independence requirements of the applicable rules of the New York Stock Exchange and of any other applicable laws, to serve as members of the Committee. One of the members shall serve as the chairperson of the Committee. Each member shall serve at the pleasure of the Board of Directors and for such term or terms as the Board shall determine.

The Board shall appoint the members of the Committee based on the recommendation of the Nominating and Corporate Governance Committee. The chairperson of the Committee shall be designated by the Board or, if no such designation is made, shall be selected by the affirmative vote of the majority of the Committee.

Meetings

The Committee shall meet at least four (4) times a year. The agenda of each meeting will be prepared by the Secretary of the Committee and, whenever reasonably practicable, circulated to each member prior to the meeting date.

Specific Responsibilities

- Each year, review the Company's incentive-compensation plans and equity-based plans and make a determination regarding whether such compensation and benefit plans are consistent with corporate objectives. Shareholders shall be given the opportunity to vote on equity-compensation plans, as required by law, applicable listing standards, and the Company's corporate governance principles.
- Each year, review, approve and report to the Board, the Chief Executive Officer's recommendations regarding:
 - the compensation of all officers of the Company;
 - awards under the Company's stock option plans and any other benefit plans of the Company;
 - the adoption of and/or major changes to major compensation policies and practices of the Company;
 - employment agreements, severance arrangements, and change in control provisions/agreements, in each case as, when, and if appropriate;
- Each year, review and make recommendations to the Board regarding the compensation of all directors;
- Each year, review and approve corporate goals and objectives relevant to the compensation payable to the Chief Executive Officer, and, either as a committee or together with the other independent directors (as directed by the Board), evaluate the Chief Executive Officer's performance in light of the goals and objectives and set the Chief Executive Officer's compensation level based on this evaluation;
- Produce a Committee report on executive compensation as required by the Securities and Exchange Commission, or SEC, to be included in the company's annual proxy statement or annual report on Form 10-K with the SEC;

- Select, retain and terminate, in its sole discretion, independent compensation and benefits consultants and special outside counsel, as needed, to provide independent advice to the Committee with respect to the Company's current and proposed executive compensation and employee benefit programs. The Committee shall have the sole authority to approve the fees and other retention terms of any compensation advisors and to cause the Company to pay such fees;
- Oversee and approve the continuity planning process. Continuity planning for the Chief Executive Officer and key officers and employees will be reviewed with the board of directors. With respect to other officers, the Committee will provide preliminary review and approval, with final continuity discussions and planning presented to the full Board; and
- The Committee shall review and approve, or review and recommend to the Board for its approval of, any transaction in equity securities of the Company, or derivatives of those equity securities, between the Company and any officer or director of the Company, who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended.

Procedural Matters

A majority of the members of the Committee will constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee will meet at such times as shall be determined by its chairperson, upon the request of any two of its members or upon request of the Chairman of the Board. The chairperson will preside, when present, at all meetings of the Committee. The Committee will keep a record of its meetings and report on them to the Board. The Committee may meet in person or by telephone or video conference, or in any other manner in which the Board is permitted to meet under law or the Company's bylaws, and may take action by unanimous written consent.

Reports

The Committee shall make regular reports to the Board, directly or through the chairperson.

Rules

The Committee may determine additional rules and procedures, including designation of a chairperson pro tempore in the absence of the chairperson and designation of a secretary of the Committee or any meeting thereof.

Review of Charter

Each year the Committee shall review the need for changes in this Charter and recommend any proposed changes to the Board for approval.

Performance Criteria

The Board of Directors will establish performance criteria for the Committee and, on a yearly basis, will review and evaluate its own performance and each Committee member and shall submit itself and each Committee member to the review and evaluation of the Board. Committee evaluation will include an assessment of whether the Committee has the necessary diversity of skills, backgrounds, experiences, etc. to meet the Company's needs. Individual evaluations will include high standards for in-person-attendance at Committee meetings and consideration of absences.

Fees

Each member of the Committee shall be paid the fee set by the Board for his or her services as a member of, or chairperson of, the Committee.