

This document is important and requires your immediate attention.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in Costain Group PLC (the 'Company'), please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.



## **Costain Group PLC**

(incorporated and registered in England and Wales under No. 1393773)

### **Notice of 2019 Annual General Meeting**

Your attention is drawn to the letter from the chair of the Company which is set out on page 2 of this document and which recommends you to vote in favour of the resolutions to be proposed at the Annual General Meeting. Notice of the Annual General Meeting of the Company, to be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED at 3.00pm on Tuesday 7 May 2019, is set out on pages 3 to 5 of this document.

If you are unable to attend the Annual General Meeting, please complete and submit the form of proxy enclosed with this document in accordance with the instructions printed on the form. Completion and return of a proxy form will not preclude shareholders from attending and voting at the Annual General Meeting should they choose to do so. To be valid, the proxy form must be received by the Company's registrar, Equiniti, by no later than 3.00pm on Friday 3 May 2019. Further instructions relating to the proxy form are set out on page 6 of this document.

Registered Office  
Costain House  
Vanwall Business Park  
Maidenhead  
Berkshire  
SL6 4UB

22 March 2019

## 2019 Annual General Meeting

Dear Shareholder,

I am pleased to be writing to you with details of our Annual General Meeting ('AGM') which we are again holding at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED at 3.00pm on Tuesday 7 May 2019. This Notice of AGM can be found on the Company's website at [www.costain.com](http://www.costain.com).

### Executive Director changes

We announced on 6 March 2019 that Andrew Wyllie CBE, after 14 years as chief executive of the Company, is retiring in order to pursue a non-executive career and that Alex Vaughan, currently managing director of the Group's natural resources division, will be appointed as CEO with effect from the conclusion of the AGM on 7 May 2019. On behalf of everyone at Costain, I would like to thank Andrew for everything that he has done for the business and to wish him and his family well for the future. We are delighted that Alex will be taking over. He has played a major role in the development of the Group and the implementation of its strategy, and has the expertise and ambition to deliver the future growth of the business.

### Resolutions

The resolutions that will be put to shareholders are set out in the formal Notice of the AGM on pages 3 to 5 of this document. Explanatory notes for all business of the AGM are set out on pages 10 to 14 of this document.

One of the resolutions this year is to adopt new Articles of Association. Our Articles were last amended in 2010 and so the proposed changes are to reflect developments in practice and to provide clarification and flexibility in certain areas. The principal changes being proposed are summarised in Appendix 2 on page 19 of this document.

Your votes are important to us and, once again this year, you will be asked to vote on each of the resolutions on a poll rather than by a show of hands. A poll vote accurately reflects the number of voting rights exercisable by each member and is in line with corporate governance recommendations and best practice.

### Annual Report and Accounts

Those shareholders who have elected to receive paper copies of shareholder information will receive a copy of the Annual Report and Accounts for 2018 under cover of this letter. For those shareholders who have elected to receive shareholder information electronically via the Company's website, the Annual Report and Accounts for 2018 is now available for viewing and downloading online from the Company's website at [www.costain.com](http://www.costain.com). The majority of our shareholders have now taken the opportunity to receive shareholder information electronically and, for those shareholders receiving paper copies, may I draw your attention to the enclosed notification concerning receipt of future shareholder information from the Company. I would encourage all shareholders to opt to receive publications, including the Annual Report and Accounts, in electronic form.

### Action to be Taken

It is important to the Company that shareholders have the opportunity to vote, even if they are unable to attend in person. A form of proxy is enclosed for use by shareholders so that they can nominate someone else to attend the meeting and vote on their behalf. One option is to nominate the chair of the meeting as proxy to vote on the shareholder's behalf at the meeting, either in the manner they direct or at the chair's discretion.

Please complete and return the form of proxy in accordance with the instructions on the form in order that it may be received by the Company's registrar, Equiniti, as soon as possible and, in any event, no later than 3.00pm on Friday 3 May 2019. The completion and return of the form of proxy will not prevent you from attending and voting in person at the meeting should you so wish.

### Recommendation

The Board of Directors of the Company (the 'Board') considers that all the resolutions to be put to the AGM are in the best interests of the Company and its shareholders as a whole. Your Board will be voting in favour of them in respect of their own shareholdings (other than in respect of resolutions in which they hold an interest) and unanimously recommends that you do so as well.

Yours faithfully,

**Dr Paul Golby CBE**

Chair

## Costain Group PLC

(the 'Company')

# Notice of Annual General Meeting

This year's AGM will be held at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED on Tuesday 7 May 2019 at 3.00pm. You will be asked to consider and pass the resolutions listed below. Resolutions 15, 16, 17, 18 and 19 will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

### Ordinary Resolutions

#### Annual Report and Accounts

1. To receive the audited accounts for the financial year ended 31 December 2018, together with the reports of the Directors and auditor thereon.

#### Directors' Remuneration Report

2. To approve the Directors' Remuneration Report (other than the part summarising the Company's policy on Directors' remuneration) for the financial year ended 31 December 2018.

#### Final Dividend

3. To declare a final dividend of 10.0 pence per ordinary share for the financial year ended 31 December 2018.

#### Re-election of Directors

4. To re-elect Dr Paul Golby as a Director of the Company.
5. To re-elect Mr Anthony Bickerstaff as a Director of the Company.
6. To re-elect Ms Jane Lodge as a Director of the Company.
7. To re-elect Ms Alison Wood as a Director of the Company.
8. To re-elect Mr David McManus as a Director of the Company.
9. To re-elect Ms Jacqueline de Rojas as a Director of the Company.

#### Re-appointment of Auditor and Auditor's Remuneration

10. To re-appoint PricewaterhouseCoopers LLP ('PwC') as auditor of the Company until the conclusion of the next Annual General Meeting of the Company.
11. To authorise the Directors to determine the auditor's remuneration.

### Political Donations

12. That, in accordance with Part 14 of the Companies Act 2006, the Company and every other company which is now or may become a subsidiary of the Company at any time during the period for which this resolution has effect is hereby authorised to:

- (a) make political donations to political parties and/or independent election candidates;
- (b) make political donations to political organisations other than political parties; and
- (c) incur political expenditure,

up to a maximum aggregate amount of £50,000 in total (as such terms are defined in Sections 363 to 365 of the Companies Act 2006) during the period of one year beginning with the date of the passing of this Resolution, provided that the sums referred to in (a), (b) and (c) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating that authorised sum, shall be converted into pounds sterling at such rate as the Board of Directors in its absolute discretion may determine to be appropriate.

### Powers of the Board to Allot Shares

13. That the Board of Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:
  - (i) up to an aggregate nominal amount of £17,843,824 (such amount to be reduced by any allotments or grants made under paragraph (ii) below in excess of such sum); and
  - (ii) comprising equity securities (as defined in Section 560(1) of the Companies Act 2006) up to a further nominal amount of £35,687,648 (such amount to be reduced by any allotments or grants made under paragraph (i) above) in connection with an offer by way of a rights issue:
    - (a) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - (b) to people who are holders of other equity securities if this is required by the rights of those securities or as the Board of Directors otherwise considers necessary,

## Notice of Annual General Meeting continued

and so that the Board of Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to apply in substitution for all previous authorities pursuant to Section 551 of the Companies Act 2006 and to expire at the end of the next Annual General Meeting of the Company or, if earlier, at the close of business on 7 August 2020 but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to be granted to subscribe for or convert any security into shares after the authority ends and the Board of Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not expired.

### Renewal of the Scrip Dividend Scheme

14. Subject to Resolution 13 being approved, that the Directors be and are hereby authorised to offer and allot ordinary shares to ordinary shareholders in lieu of a cash dividend from time to time or for such period as they may determine pursuant to the terms of the Company's Articles of Association, provided that the authority conferred by this resolution shall expire at the end of the third Annual General Meeting of the Company after the date on which the resolution is passed.

### Special Resolutions

#### Disapplication of Pre-Emption Rights

15. That, if Resolution 13 above is passed, the Board of Directors be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

- (a) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (ii) of resolution 13, by way of a rights issue only):
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

- (ii) to holders of other equity securities, as required by the rights of those securities, or as the Board of Directors otherwise considers necessary,

and so that the Board of Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- (b) in the case of the authority granted under paragraph (i) of resolution 13 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £2,676,573,

such power to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 7 August 2020) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board of Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not expired.

16. That, if Resolution 13 is passed, the Board of Directors be given the power in addition to any power granted under Resolution 15 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given under paragraph (i) of Resolution 13 and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

- (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £2,676,573; and
- (b) used only for the purposes of financing a transaction which the Board of Directors of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice or for the purposes of refinancing such a transaction within six months of its taking place,

such power to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 7 August 2020) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board of Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

#### **Purchase of Own Shares**

17. That the Company be and is hereby unconditionally and generally authorised for the purpose of Section 701 of the Companies Act 2006 to make one or more market purchases (as defined in Section 693(4) of the Companies Act 2006) of ordinary shares of 50p each in the capital of the Company on such terms and in such manner as the Board of Directors may determine provided that:

- (a) the maximum number of shares which may be purchased is 10,706,294;
- (b) the minimum price which may be paid for each share is 50p;
- (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than the higher of:
  - (i) an amount equal to 105% of the average market value of an ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days prior to the day on which the ordinary share is purchased and
  - (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent purchase bid for an ordinary share on the trading venue where the purchase is carried out at the relevant time, including when the shares are traded on different venues,

this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 7 August 2020, but during this period the Company may enter into a contract for the purchase of ordinary shares which would, or might, be completed or executed wholly or partly after the authority ends and the Company may purchase ordinary shares pursuant to any such contract as if the authority had not expired.

#### **Articles of Association**

18. That the Articles of Association, produced to the meeting and initialled by the chair of the meeting for the purpose of identification, be and are hereby adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

#### **Notice Periods for General Meetings (other than Annual General Meetings).**

19. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board

#### **Tracey Wood**

Company Secretary

22 March 2019

Registered Office:  
Costain House  
Vanwall Business Park  
Maidenhead  
Berkshire  
SL6 4UB

Registered in England and Wales No. 1393773

## Notes to the Notice of Annual General Meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend, to speak and to vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrar, Equiniti, on 0371 384 2250 (overseas callers should call +44 (0) 121 415 7047). Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. In order to be valid, a completed proxy form or other instrument appointing a proxy must be returned to Equiniti by one of the following methods:
  - (i) in hard copy form by post or (during normal business hours only) by hand to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA;
  - (ii) in electronic form (a) by logging onto the website [www.sharevote.co.uk](http://www.sharevote.co.uk) and entering your Voting ID, Task ID and Shareholder Reference Number shown on your form of proxy, or (b) if you have already registered with Equiniti's online portfolio service, Shareview, by submitting your form of proxy at [www.shareview.co.uk](http://www.shareview.co.uk) by logging onto your portfolio using your user ID and password. Once logged in simply click 'View' on the 'My Investments' page, click on the link to vote then follow the on screen instructions. Full instructions are given on both websites;
  - (iii) in the case of CREST members, by utilising the CREST electronic proxy appointment service (as described in note 12 below),

and in each case must be received by Equiniti no later than 3.00pm on Friday 3 May 2019. Please note that any electronic communication that is found to contain a computer virus will not be accepted. If two or more valid but differing proxy appointments are received in respect of the same share for use at the

AGM, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

3. The return of a completed proxy form or other instrument (whether in hard copy form, electronically or by utilising the CREST electronic proxy service), will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
4. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
5. If a member appoints more than one proxy and the proxy forms appointing those proxies would give those proxies the apparent right to exercise votes on behalf of the member at the AGM over more shares than are held by the member, each of those proxy forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the AGM.
6. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
8. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

9. The statement of the rights of shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investment in the Company.
10. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.30pm on Friday 3 May 2019 (or, in the event of any adjournment, by 6.30pm on the day which is two working days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
11. As at 13 March 2019 (the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 107,062,945 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 March 2019 are 107,062,945. The Company does not hold any shares in Treasury.
12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
13. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Ltd's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 3.00pm on Friday 3 May 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
14. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Ltd does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
15. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
16. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
17. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

## Notes to the Notice of Annual General Meeting continued

18. Each of the resolutions to be put to the meeting will be voted on by poll and not by a show of hands. A poll reflects the number of voting rights exercisable by each member and is in line with corporate governance recommendations and best practice. The results of the poll will be published on the Company's website and notified to the UK Listing Authority as soon as practicable after the votes have been counted and verified.
19. Members meeting the threshold requirements under Section 338 and Section 338A of the Companies Act 2006 have the right to:
  - (i) require the Company to give its members notice of a resolution which the members wish to be moved, and which may be properly moved, at an AGM of the Company, and/or (ii) include a matter which may be properly included (other than a proposed resolution) in the business to be dealt with at the AGM. A resolution may be properly moved or a matter may be properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by way of inconsistency with any enactment of the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. This request must be received by the Company not later than 25 March 2019, being the date six clear weeks before the AGM (or, if later, the time at which notice is given of the AGM). Such a request may be in hard copy form or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
20. Any member or duly appointed proxy attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
  - (i) to do so would interfere unduly with the preparation for the meeting; or
  - (ii) to do so would involve the disclosure of confidential information; or
  - (iii) the answer has already been given on a website in the form of an answer to a question; or
  - (iv) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
21. A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at [www.costain.com](http://www.costain.com).
22. Under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
  - (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or
  - (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
23. Except as provided above, members who have general queries about the AGM should use the following means of communication (no other methods of communication will be accepted):
  - By contacting the Company's registrar Equiniti in writing addressed to Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephoning their shareholder helpline on 0371 384 2250 (overseas callers should use +44 121 415 7047). Lines are open 8.30am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales.



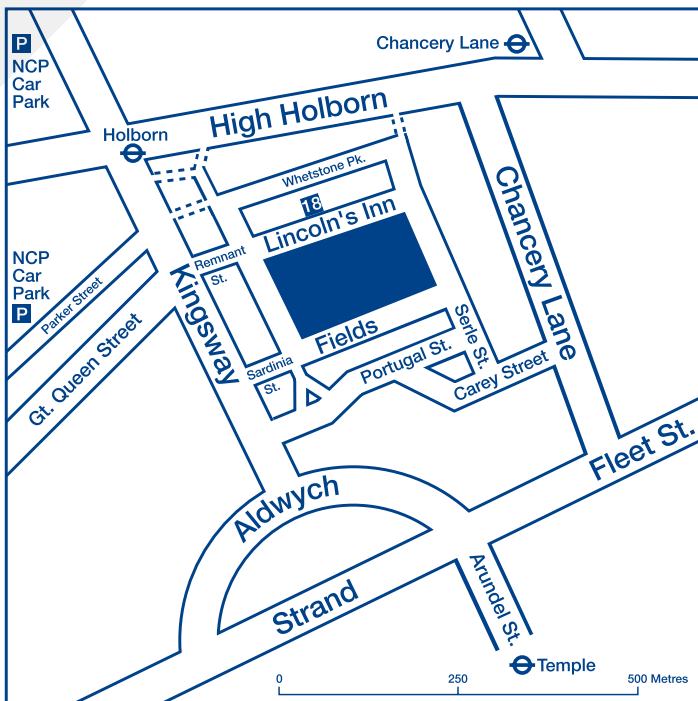
- By contacting the Company Secretary in writing addressed to Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB or by telephoning 01628 842444 or by emailing info@costain.com.

Please note that shareholders may not use any electronic address provided in either this document or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

24. The following documents will be available for inspection at the registered office of the Company, Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB, from the date of this Notice during normal business hours until the time of the AGM and at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED from 15 minutes before the AGM until the end of the AGM:

- copies of the Executive Directors' service contracts; and
- copies of the letters of appointment of the Non-Executive Directors.

25. The location of The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED is indicated on the map below:



# Explanatory Notes to the Notice of Annual General Meeting

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 14 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 15 to 19 are proposed as special resolutions. This means that for each of these resolutions to be passed, at least three-quarters of the votes cast must be in favour of it.

## **Resolution 1: Annual Reports and Accounts**

The Company is required to present its report and accounts to shareholders at its AGM. The Annual Report and Accounts for the year ended 31 December 2018 are available on the Company's website at [www.costain.com](http://www.costain.com) and have been sent to those shareholders who have elected to receive a hard copy. Copies of the Annual Report will also be available at the AGM.

## **Resolution 2: Directors' Remuneration Report**

Resolution 2 concerns the approval of the Annual Report on Remuneration of the Directors, together with the chair's Summary Statement, contained within the Directors' Remuneration Report of the 2018 Annual Report and Accounts. The Company is required to seek shareholders' approval in respect of the contents of this Report and Statement on an annual basis. The vote is advisory in nature in that payments made or promised to Directors will not have to be repaid, reduced or withheld in the event that this resolution is not passed.

You can find the Directors' Remuneration Report on pages 78 to 97 of the 2018 Annual Report and Accounts.

For your information, the Company is separately required to present the Company's Policy on the remuneration of its Directors to shareholders for approval at least every three years and such vote is binding on the Company. This is the Company's forward-looking policy on Directors' remuneration and the current Policy was approved by shareholders at the 2017 AGM and applies until replaced by a new or amended policy and a summary can be found on pages 80 to 85 of the Directors' Remuneration Report in the 2018 Annual Report and Accounts. The Company will seek approval of a new policy at its 2020 AGM. Following approval of the Policy at the 2017 AGM, the Company is not able to make remuneration payments to a Director, or loss of office payments to a current or past Director, unless the payment is consistent with the approved Policy or has been otherwise approved by shareholders.

## **Resolution 3: Final Dividend**

If resolution 3 is approved by shareholders, the final dividend for the year ended 31 December 2018 will be paid on 17 May 2019 to shareholders whose names are on the Company's Register of Members at close of business on 12 April 2019.

## **Resolutions 4 to 9: Re-election of Directors**

Resolutions 4 to 9 concern the re-election of the Directors. In accordance with the requirements of the 2018 UK Corporate Governance Code which is applicable to the 2019 AGM, all the Directors, with the exception of Andrew Wyllie whose departure from the Board was announced on 6 March 2019, are standing for re-election by the shareholders at this year's AGM. Alex Vaughan will not be appointed to the Board until the conclusion of the 2019 AGM and therefore is not required to stand for re-election this year.

The Board has confirmed, following an internally conducted performance review, that all Directors standing for re-election continue to perform effectively and demonstrate commitment to their roles and that they deliver an appropriate balance of skills and knowledge, all contributing to the long-term success of the Company as a whole.

Further, following the result of resolution 6 at last year's AGM regarding the re-election of David McManus, and recognising shareholders' concerns regarding overboarding, the Nomination Committee spent time considering all Board members' other appointments and the impact on their time availability. The Nomination Committee is satisfied that all Board members have, and commit, the time required to discharge their roles at Costain effectively, including David. The Nomination Committee also notes the recent announcement by Rockhopper Exploration plc that David is standing down as chairman at their forthcoming AGM in May 2019.

The Board has considered whether each of the Non-executive Directors is free from any relationship that could materially interfere with the exercise of his or her independent judgement and has determined that each continues to be independent.

The Board believes the wide-ranging experience of the Directors standing for re-election will continue to be invaluable to the Company. The biographies of each of the Directors can be found on pages 54 and 55 of the 2018 Annual Report and Accounts. In addition, set out below are additional reasons to support the respective re-election resolution for each Director:

## **Resolution 4: Re-election of Dr Paul Golby as a Director**

Paul has a lifelong passion for engineering and innovation, and has spent his career in the energy, government and regulatory sectors. In his role as chair of the Board and chair of the Nomination Committee he draws on his broad business and governance experience from the executive and non-executive positions he has held. Paul adds a valuable perspective to debates on UK regulatory and strategic issues and his specific experience in safety and risk management is also evident in his oversight of the operations of Company.

#### **Resolution 5: Re-election of Mr Anthony Bickerstaff as a Director**

As chief financial officer since 2006, Tony has a strong financial background underpinned by his profession as a chartered certified accountant. During the course of his career, Tony has gained extensive knowledge of the infrastructure and support services sectors and has in-depth commercial experience, having been heavily involved with the transformation and success of Costain in recent years. Together with the chief executive, he maintains a constructive dialogue with institutional investors on Group strategy and performance.

#### **Resolution 6: Re-election of Ms Jane Lodge as a Director**

Jane brings to the Board extensive experience as an audit partner and possesses the recent and relevant financial experience in accounting and auditing required to effectively chair the Audit Committee.

Jane's role as Senior Independent Director is essential to the successful operation of the Board. She has an excellent understanding of investor expectations and experience in managing relationships with investor and financial communities. Additionally, through her various board appointments on listed companies, Jane has significant experience of UK corporate governance.

#### **Resolution 7: Re-election of Ms Alison Wood as a Director**

Alison brings a wealth of experience in corporate strategy and strategic business development gained in the technology, construction and utility sectors to her role as Non-executive Director, drawing on her diverse experience and knowledge in wider Board discussions. Additionally, she has strong analytical skills and brings in-depth understanding of remuneration and financial matters to her role as chair of the Remuneration Committee. The Company benefits greatly from the knowledge and insights she has accumulated during her career.

#### **Resolution 8: Re-election of Mr David McManus as a Director**

David is a petroleum engineer with extensive technical, commercial, and general management experience in the oil and gas industry. David is an experienced international business leader in the energy sector with an extensive project management and commercial expertise gained at senior levels. David brings to the Board valuable strategic insights and his skillset, combined with his extensive board experience, allows him to scrutinise performance and provide an additional perspective to the Board's discussions.

#### **Resolution 9: Re-election of Ms Jacqueline de Rojas as a Director**

Jacqueline brings to the Board a wealth of global experience in fast moving technology businesses, having held previous senior roles in major global technology companies. She brings a deep understanding of how technology can be used to transform a business and insight into the development of new commercial models that deliver attractive economics. Jacqueline is a passionate advocate for diversity and inclusion in the workplace and was awarded a CBE for services to international trade in technology in 2018.

#### **Resolution 10: Re-appointment of Auditor**

The auditor is required to be reappointed at each AGM at which accounts are presented. The Board, on the recommendation of the Audit Committee which has evaluated the effectiveness and independence of the external auditor, is proposing the re-appointment of PwC as auditor of the Company and they have indicated their willingness to continue as auditor of the Company.

#### **Resolution 11: Auditor's Remuneration**

This resolution gives the Directors authority to determine the remuneration of the auditor. The Board will delegate this authority to the Audit Committee in accordance with the Competition and Markets Authority ('CMA') Audit Order 2014.

#### **Resolution 12: Political Donations**

Part 14 of the Companies Act 2006 requires companies to obtain shareholders' authority for donations to registered political parties and other political organisations totalling more than £5,000 in any 12-month period, and for any political expenditure, subject to limited exceptions. The definitions of donation and expenditure in this context is very wide and extends to bodies such as those concerned with policy review, law reform and the representation of the business community. It could include special interest groups, such as those involved with the environment, which the Company and its UK subsidiaries might wish to support, even though these activities are not designed to support or influence support for a particular political party.

## Explanatory Notes to the Notice of Annual General Meeting continued

It is the policy of the Company not to make political donations or to incur political expenditure, as those expressions are normally understood. However, to avoid inadvertent infringement of the Companies Act 2006, the Directors are seeking shareholders' authority for the Company and its UK subsidiaries to make political donations (as defined in the 2006 Act) and to incur political expenditure (as defined in the 2006 Act) for the period from the date of the AGM to the conclusion of next year's AGM up to a maximum aggregate amount of £50,000.

No political donations were made during the years ended 31 December 2017 and 31 December 2018.

### **Resolution 13: Renewal of Authority to Allot Shares**

At the Company's AGM held on 8 May 2018, shareholders granted an authority to the Directors to allot ordinary shares up to an aggregate nominal amount of £17.6 million. As at 31 December 2018, the only shares that had been allotted were in order to satisfy awards under the Company's share schemes and scrip dividends.

As this authority is due to expire on 7 May 2019, shareholders will be asked to renew and extend the authority, given to the Directors at the last AGM, to allot shares in the Company, or grant rights to subscribe for, or to convert any security into, shares in the Company for the purposes of Section 551 of the Companies Act 2006 (the 'Allotment Resolution').

The authority in the first part of the Allotment Resolution will allow the Directors to allot new shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a nominal value of £17,843,824 which is equivalent to approximately one-third of the total issued ordinary share capital of the Company as at the latest practical date prior to the publication of the Notice of AGM.

In line with guidance issued by the Investment Association, the authority in the second part of Resolution 13 would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £35,687,648, which is equivalent (before any reduction) to approximately two-thirds of the total issued ordinary share capital of the Company as at the latest practical date prior to the publication of the Notice of AGM.

There are no present plans to undertake a rights issue or to allot new shares other than in connection with the Company's share schemes and scrip dividends, however the Directors consider it appropriate to maintain the flexibility this authority provides.

If the Allotment Resolution is passed the authority will expire on the earlier of the close of business on 7 August 2020 and the end of the AGM to be held in 2020.

### **Resolution 14: Renewal of the Scrip Dividend Scheme**

At the 2016 Annual General Meeting, shareholders approved the renewal of the scrip dividend scheme (the 'Scheme') which authorises the Directors to offer and allot ordinary shares in lieu of cash dividends to those shareholders who elect to participate in the scrip dividend. This authority was granted for a period of three years (until the conclusion of the 2019 Annual General Meeting) in line with the guidelines of the Investment Association (IA). Shareholder approval is therefore being sought at this AGM to renew the Directors' authority to offer a scrip dividend scheme. The Scheme applies to both interim and final dividends and enables shareholders to increase their holding in the Company without incurring dealing costs or stamp duty. Those shareholders who have already elected to join the Scheme will not need to take any action. Shareholders wishing to join the Scheme for the proposed final dividend for 2018 (and all future dividends) should return a completed mandate form to the Company's registrar, Equiniti, by 25 April 2019. The relevant contact details for Equiniti can be found on page 175 of the 2018 Annual Report and Accounts. Copies of the mandate form and the scrip dividend booklet may be obtained from Equiniti or from the Company's website at [www.costain.com](http://www.costain.com). The terms and conditions of the Scheme, which are also contained in the scrip dividend booklet, are set out in Appendix 1 on pages 15 to 18 of this document.

### **Resolutions 15 and 16: Disapplication of Pre-emption Rights**

Subject to approval of Resolution number 13, authorising the Board of Directors to allot new shares, shareholders will be asked to pass two special resolutions to grant the Directors powers to disapply shareholders' pre-emption rights under certain circumstances (the 'Pre-emption Resolutions').

If the Directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing shareholdings. There may be occasions, however, when the Directors need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. The Pre-emption Resolutions would give the Directors the authority to allot ordinary shares or sell any shares the Company holds in treasury for cash without having to offer them to existing shareholders in proportion to their existing shareholdings.

The power set out in the Pre-emption Resolutions is limited to the allotment of new shares, pursuant to the authority given by the Allotment Resolution, or to sell treasury shares for cash:

- (a) in connection with a rights issue or pre-emptive offer; and/or
- (b) otherwise up to a nominal value equivalent to 5% of the total issued ordinary share capital (excluding treasury shares) of the Company as at the latest practical date prior to the publication of the Notice of AGM; and
- (c) in connection with the financing (or refinancing, if the authority is to be used within six months after the original transaction) of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment (provided that the nominal value equivalent is no more than 5% of the total issued share capital of the Company at the latest practical date prior to the publication of the Notice of AGM),

in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles:

- (a) not to allot shares for cash on a non pre-emptive basis pursuant to the authority in the Pre-emption Resolutions in excess of an amount equal to 5% of the total issued ordinary share capital of the Company (excluding treasury shares); or
- (b) regarding cumulative usage of authorities, of no more than 7.5% of the total issued ordinary share capital of the Company (excluding treasury shares) within a rolling three-year period without prior consultation with shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

The Allotment Resolution and the Pre-emption Resolutions comply with the Share Capital Management Guidelines issued by the Investment Association in July 2016.

If the Pre-emption Resolutions are passed, the authority will expire on the earlier of the close of business on 7 August 2020 and the end of the AGM to be held in 2020.

### **Resolution 17: Purchase of Own Shares**

Authority will be sought from the shareholders to grant authority for the Company to purchase its own ordinary shares in the market. This authority will be limited to 10,706,294 shares, being 10% of the ordinary shares in issue, excluding treasury shares, as at the latest practicable date prior to the publication of the Notice of AGM and the Company's exercise of this authority will be subject to the stated upper and lower limits on price as required by the Listing Rules. This authority will apply until the conclusion of next year's AGM (or, if earlier, the close of business on 7 August 2020). Any buyback would be by market purchase through the London Stock Exchange.

The Company can hold any such shares, which have been purchased as treasury shares, and either resell them for cash, cancel them, either immediately or at a point in the future, or use them for the purposes of its share schemes. The Directors believe that it is desirable to have this choice as holding treasury shares would provide the Company with additional flexibility in the management of its share capital. No dividends will be paid on, and no voting rights will be exercised in respect of, such treasury shares. The Company currently has no ordinary shares in treasury. The minimum price, exclusive of expenses, which may be paid for an ordinary share is 50p. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the highest of (i) an amount equal to 105% of the average market value for an ordinary share for the five business days immediately preceding the date of the purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time.

The Directors would only authorise such a purchase after careful consideration, taking account of the best interests of the Company, its shareholders generally and that it could be expected to result in an increase in earnings per share. The authority will only be used after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. Shares held as treasury shares will not automatically be cancelled and will not be taken into account in future calculations of earnings per share (unless they are subsequently resold or transferred out of treasury).

If any shares purchased by the Company are held in treasury and used for the purposes of its employee share schemes, the Company will count those shares towards the limits on the number of new shares which may be issued under such schemes.

If the resolution is passed the authority will expire on the earlier of the close of business on 7 August 2020 and the end of the AGM to be held in 2020. The Board has no present intention to exercise the authority sought under the resolution.

## Explanatory Notes to the Notice of Annual General Meeting continued

### **Resolution 18: Articles of Association**

It is proposed to adopt new Articles of Association ('the New Articles') in order to reflect developments in practice and to provide clarification and additional flexibility. The Company's Articles of Association were last amended in 2010. Due to the extent of the changes, the Company is proposing the adoption of the New Articles rather than amendments to the current Articles of Association (the 'Current Articles'). The principal changes being proposed in the New Articles are summarised in Appendix 2 on page 19 of this document.

A copy of the Current Articles and the proposed New Articles will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY up until the close of the Annual General Meeting. Copies will also be available on the day of the meeting at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED until the conclusion of the Annual General Meeting. A copy of the New Articles can also be found at [www.costain.com](http://www.costain.com).

### **Resolution 19: Notice Periods for General Meetings (other than Annual General Meetings)**

This resolution renews the authority that was given at the Company's last AGM. The notice period required by the Companies Act 2006 for general meetings of the Company is 21 clear days unless shareholders approve a shorter notice period, which cannot be less than 14 clear days. AGMs must always be held on at least 21 clear days' notice. At the Company's last AGM, shareholders authorised the calling of general meetings other than an AGM on not less than 14 clear days' notice, and it is proposed that this authority be renewed. The authority granted by this resolution 19, if passed, will be effective until the Company's next AGM when it is intended that a similar resolution will be proposed. The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

# Appendix 1 – Scrip Dividend Scheme (Resolution 14)

## 1. What is the Costain Group PLC Scrip Dividend Scheme (the 'Scheme')?

The renewal of the Scheme was approved at the 2016 Annual General Meeting. It enables shareholders, if you so wish, to receive new ordinary shares instead of cash for future dividends. This means you can build up your shareholding in Costain without going to the market to buy shares and so you will not incur any dealing costs or stamp duty. At the same time, Costain retains the cash which would otherwise have been paid as a dividend for reinvestment in the business.

The Scheme applies to your whole holding of ordinary shares registered in your name at close of business on each dividend record date. The price at which the shares are allotted is determined on each scrip reference price date. All dates are advertised on Costain's website ([www.costain.com](http://www.costain.com)).

## 2. How do I join the Scheme?

To join the Scheme please complete the scrip dividend mandate form and return it to our registrar, Equiniti Limited, Share Dividend Team, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Please remember to include your shareholder reference number which can be found on your share certificate. No acknowledgement of receipt will be sent. To be effective for a particular dividend you must complete and return your mandate so as to be received by the Company's registrar, Equiniti, no later than 15 business days before the dividend payment date.

## 3. Do I need to complete a new scrip dividend mandate form once I have submitted one?

No, once you have already completed a valid scrip dividend mandate form it will remain valid until you cancel your mandate. You are not required to return any further documentation if you wish to continue to receive the scrip dividend when one is offered in respect of future dividends.

## 4. What will be my entitlement to shares in the Scheme?

Your entitlement to new ordinary shares in respect of future dividends is calculated by taking the amount of the cash dividend to which you are entitled and dividing it by the scrip reference price.

No fractions of new ordinary shares will be allotted. The number of new ordinary shares to which you are entitled will be rounded down to ensure that the value of those shares (calculated by reference to the scrip dividend price) is, as nearly as possible, equal to but never greater than the cash amount of the cash dividend you would otherwise have received. Any surplus cash balance in respect of fractional entitlements is carried forward without interest to the next dividend payment date and added to the amount of cash dividend to which you are entitled in respect of that next dividend. The surplus cash

balance in respect of fractional entitlements will be paid to you if you cancel your scrip dividend mandate or dispose of your entire shareholding at any time.

The formula used in calculating your entitlement to new ordinary shares is as follows:

(Number of ordinary shares held at the dividend record date x cash dividend rate per share) + surplus cash (if any)

Scrip reference price

Costain will calculate the scrip reference price by reference to the average value of the middle market quotations for Costain's ordinary shares, as derived from the Daily Official List of the London Stock Exchange (or any other publication of a recognised investment exchange showing quotations for the Company's ordinary shares), for the five consecutive dealing days commencing on or after the relevant ex-dividend date. The scrip reference price will be notified on Costain's website ([www.costain.com](http://www.costain.com)).

An example of how the entitlement to shares in the Scheme is calculated, for illustrative purposes only, is as follows:

The cash dividend is 6.25 pence per ordinary share, your shareholding is 1,000 ordinary shares, and the scrip reference price is £3.50:

- Value of cash dividend:  $1,000 \times 6.25p = £62.50$
- Number of new shares:  $£62.50 \div £3.50 = 17.86$ , rounded down to 17 shares
- Value of new shares:  $17 \times £3.50 = £59.50$ , leaving a surplus cash balance of £3.00 which would be carried forward to the next dividend payment date.

## 5. Are my new scrip dividend shares included in the next scrip dividend?

Yes, all new ordinary shares issued as scrip dividend will be included in your shareholding on which the next entitlement to a scrip dividend will be calculated.

## 6. Do my new shares have the same rights as my existing shares?

Yes, the new ordinary shares will carry the same voting and dividend rights as your existing ordinary shares.

## 7. Are there any circumstances in which I won't be issued shares under the scrip dividend scheme?

If on any occasion your cash dividend entitlement, together with any surplus cash brought forward from previous dividends, is insufficient to acquire at least one new ordinary share, you will not be issued with any shares under the Scheme. You will, however, receive a statement explaining that no new shares have been issued to you under the Scheme and showing how much surplus cash has been carried forward to the next dividend.

## Appendix 1 – Scrip Dividend Scheme continued

The Directors may (and absent mitigating circumstances intend to) disregard scrip dividend mandates and pay a cash dividend instead if, in respect of a relevant dividend, the middle market quotation for Costain's ordinary shares on the final date for elections in respect of the relevant dividend is 15% or more below the scrip reference price.

The applicability of the Scheme to any particular dividend is always subject to the Directors' decision to offer the scrip dividend alternative in respect of that particular dividend. If the Directors decide not to offer the scrip dividend alternative in respect of any particular dividend, a cash dividend will be paid to you instead in the usual way. The Directors will not offer a scrip dividend alternative unless Costain has unissued shares authorised for issue and sufficient reserves or funds that may be capitalised to give effect to it after the basis of allotment is determined.

In the unlikely event that the UK Listing Authority does not agree before the dividend payment date to admit the new ordinary shares to the Official List, no shares will be issued to you under the Scheme and you will receive your dividend in cash instead.

### **8. When will I be sent my new share certificate or CREST message?**

A new share certificate in respect of the new shares (if any) issued to you under the Scheme will be posted to you on or about the same date as the cash dividends are posted. A statement will also be sent to you showing the number of new ordinary shares allotted, the scrip reference price, and the total cash equivalent of the new ordinary shares for tax purposes.

Shareholders who hold their existing shares in uncertificated form through CREST on the relevant record date will have their CREST account credited electronically on or about the day of the dividend payment date unless Costain is unable to do so under the provisions of the Uncertificated Securities Regulations 2001 or the facilities and requirements of CREST. If Costain is unable to credit the new shares to those shareholders' CREST accounts, Costain will instead issue the shares to which those shareholders are entitled in certificated form and share certificates will be posted to those shareholders.

### **9. Can I participate in the Scheme if I am resident outside the UK?**

If you are resident outside the UK, you may treat this letter as an invitation to receive new ordinary shares unless such an invitation could not lawfully be made to you in compliance with any registration or other legal

requirements. It is the responsibility of any person resident outside the UK wishing to elect to receive new ordinary shares to be satisfied as to full observance of the laws of the relevant territory, including obtaining any government or other consents which may be required and observing any other formalities in such territories.

### **10. Does the Scheme apply to all my holdings and joint holdings?**

Yes, the Scheme applies to all your holdings. However, if for any reason your shares are registered in more than one holding, then unless you have arranged with Costain's registrar, Equiniti, to consolidate your holdings by the last day for receipt of your scrip dividend mandate form for a particular dividend, the holdings will be treated for all purposes as separate. You should complete separate mandates in relation to each holding. If you wish to amalgamate your accounts to avoid this happening in future, please write to Equiniti, quoting the shareholder reference numbers shown on your share certificates. If you have a joint holding please ensure that all shareholders sign the scrip dividend mandate form.

### **11. What happens if I have recently sold or purchased ordinary shares?**

If you have sold some of your ordinary shares before an ex-dividend date (which falls one business day prior to a record date) for a particular dividend, your scrip dividend election will apply for the remainder of your shares only.

If you buy any additional ordinary shares after an ex-dividend date (which falls one business day prior to a record date) for a particular dividend, you will not be entitled to any cash or scrip dividend which has already been declared in respect of those additional shares, but if you continue to hold them you will be entitled to receive future dividends in respect of those additional shares. However, if you wish to receive scrip dividends in relation to those additional shares, you may need to complete an additional scrip dividend mandate form in respect of those additional shares (unless the additional shares have been amalgamated with your other holdings and you have already completed a scrip dividend mandate form in respect of that holding).

### **12. Scrip dividend mandate form**

#### **12.1. What is the scrip dividend mandate form?**

This is the form you will need to complete if you wish to participate in the Scheme for the current dividend and all future dividends for which a scrip dividend alternative is offered ('Relevant Dividends'). A cash dividend will automatically be paid on any shares in respect of which a valid mandate form has not been received.



Your mandate will remain valid and effective in respect of all Relevant Dividends unless and until cancelled by you. However, as noted earlier in this booklet, there are circumstances where shares may not be issued to you under the Scheme even though you have not cancelled your scrip dividend mandate.

### **12.2. Can I complete a scrip dividend mandate form for part of my holding?**

No, mandates can only be completed for your total shareholding for each Relevant Dividend. If you wish to receive the scrip dividend in relation to part only of your holding, you will have to split your holding into more than one holding.

Costain may, at its discretion, permit partial elections where a shareholder is acting on behalf of more than one beneficial owner (i.e. where a shareholder is a nominee shareholder). The partial election will remain in force in respect of the relevant part of the holding for all future dividends unless cancelled.

### **12.3. Can I cancel my scrip dividend mandate?**

Yes, you may cancel your scrip dividend mandate at any time. Notice of cancellation must be given in writing to Costain's registrar, Equiniti, 15 working days before the relevant dividend payment date. A notice of cancellation will take effect on its receipt by Equiniti in respect of all dividends payable after the date of receipt of such notice.

Your mandate will automatically be cancelled if you sell or otherwise transfer all your ordinary shares to another person, with effect from the registration of the relevant transfer. Your mandate will also automatically be cancelled if, being a sole shareholder, you die, are declared bankrupt, go into liquidation (if you are a company) or suffer from mental incapacity, with effect from the date Costain receives notice of those relevant circumstances. If a joint shareholder dies, the scrip dividend mandate will continue to endure in favour of the surviving shareholder(s).

Upon cancellation of your mandate, any surplus cash in respect of fractional entitlements accumulated on your behalf will be paid to you in cash.

### **12.4. Can Costain change my scrip dividend mandate?**

Yes, mandates may be modified at any time by Costain, without notice to the shareholders individually, except that individual notification will be given if any change is made to the way in which the entitlement of a shareholder to new shares is calculated. In the case of any modification, current mandates (unless otherwise specified by Costain) will be deemed to remain valid under the modified arrangements unless and until Costain's registrar, Equiniti, receive a notice of cancellation in writing from you.

### **12.5. What do I do if I need help or have any questions?**

Please contact our registrar, Equiniti, at the following address: Equiniti Limited, Share Dividend Team, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephoning Equiniti on 0371 384 2268 (lines are open Monday to Friday 8.30am to 5.30pm excluding UK bank holidays). If calling from overseas, please telephone Equiniti on +44 (0) 121 415 7173.

If you wish to continue to take your dividend in cash you need take no action. Your dividend will continue to be paid to you in cash.

If you intend to elect for the scrip dividend alternative, you must complete and return your scrip dividend mandate form so as to be received by Costain's registrar, Equiniti, no later than 15 working days before the Relevant Dividend's payment date.

### **TAXATION**

The comments set out below summarise certain United Kingdom taxation consequences of the Scheme for holders of ordinary Costain shares. They are based on current law and on what is understood to be current H.M. Revenue and Customs practice. They apply only to holders of ordinary Costain shares who are resident for tax purposes in the United Kingdom, who hold their ordinary Costain shares as an investment and who are the absolute beneficial owners of their ordinary Costain shares.

Any holders of ordinary Costain shares who do not fall within the above description or who are in any doubt as to their taxation position in respect of the Scheme should consult their own professional advisers immediately.

#### **Income tax**

A shareholder who is an individual resident (for tax purposes) in the United Kingdom and who elects to receive new ordinary shares instead of a cash dividend from Costain will be taxable on the amount (the 'equivalent amount') which is equal to the cash equivalent of those new ordinary shares. The equivalent amount will be regarded as the top slice of the individual's income and the individual will be taxable on it as dividend income.

## Appendix 1 – Scrip Dividend Scheme continued

Since 6 April 2016 the Dividend Tax Credit has been replaced by a tax-free dividend allowance (the 'Dividend Allowance'). Under this regime, the individual is not subject to income tax on the first £2,000 (2019/20) of dividend income. Any dividend income received in excess of £2,000 is subject to income tax at the following rates: 7.5% on dividend income within the basic rate band; 32.5% on dividend income within the higher rate band; and 38.1% on dividend income within the additional rate band.

Note that dividend income that falls within the Dividend Allowance counts towards the individual's basic or higher rate limits and may therefore affect the rate of income tax that is due on any dividend income in excess of the Dividend Allowance.

The 'cash equivalent' of any new ordinary shares received in lieu of a cash dividend will be the amount of the cash dividend foregone unless the difference between that amount and the market value of the new ordinary shares received in lieu of the cash dividend on the first day of dealing on the London Stock Exchange is equal to or greater than 15% of that market value in which case the cash equivalent will be that market value.

### **Capital gains tax**

A shareholder who is an individual resident (for tax purposes) in the United Kingdom and who elects to receive new ordinary shares instead of a cash dividend from Costain will not be treated for the purposes of capital gains tax as having made a disposal of the original holding in respect of which the new ordinary shares are received. The new ordinary shares will be treated as having been acquired for an amount equal to the cash equivalent.

### **Corporation tax**

A company which is resident (for tax purposes) in the United Kingdom and which elects to receive new ordinary shares instead of a cash dividend from Costain will not be liable to corporation tax on the receipt of the new ordinary shares. Instead, those shares will be treated as the same asset and as having been acquired at the same time and for the same consideration as the original holding in respect of which they are received. Consequently, the calculation of any chargeable gain or allowable loss on a future disposal of, or of part of, the enlarged holding will fall to be made by reference to the base cost of the original holding only.

## Appendix 2 – Explanatory notes on the principal changes to the Company’s Articles of Association (Resolution 18)

### **Annual Retirement of Directors**

The New Articles have been amended to reflect corporate governance best practice, as reflected in the UK Corporate Governance Code, which requires all Directors be subject to annual re-election by shareholders at the AGM. The New Articles provide that at each AGM every Director shall retire from office and each Director wishing to remain in office is required to stand for re-election.

### **Directors’ Fees**

The existing Articles of Association include a limit on the total fees payable to the Company’s Non-executive Directors. This limit was last considered in 2010. The New Articles therefore include an increase in the maximum total fees payable to the Company’s Non-executive Directors from £500,000 to £700,000 per year, in order to allow the Company sufficient flexibility where a change to the number or composition of Non-executive Directors of the Company is required.

### **Strategic Reports and Supplementary Material**

Under the Companies Act 2006 and The Companies (Receipt of Accounts and Reports) Regulations 2013, a company may send out a copy of its strategic report with supplementary material instead of its full accounts to a member who has elected or tacitly agreed to receive these documents, provided the company is not prohibited from doing so in its articles. This article is intended to make it clear that there is no such prohibition and is adopted at the substitution of the article relating to Summary Financial Statements in the existing Articles of Association.

### **Borrowing Powers**

The Company’s borrowing limit of £300 million under the existing Articles of Association was last considered in 2017. The New Articles include an increase of 10 per cent, from £300 million to £330 million, in the borrowing limit. This reflects the organic growth of the Company since 2017 and will provide the Company with greater flexibility in the future to take advantage of potential opportunities that may arise.

### **Electronic Meetings**

Two articles relating to the holding of, and participation in, meetings held electronically have been inserted into the New Articles. These articles do not permit for the holding of purely electronic meetings, but rather serve to allow greater flexibility for both the Company and shareholders to hold and participate in meetings with either a physical or both physical and virtual presence as required.

### **General**

The opportunity has also been taken to make a number of small uncontroversial tidy up amendments to the existing Articles of Association including to update the articles relating to the payment methods that the Company can use in order to pay dividends to shareholders. In addition, the New Articles remove the requirement for overseas shareholders to supply a postal address within the United Kingdom in order to be sent notices, documents and other information by the Company.



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