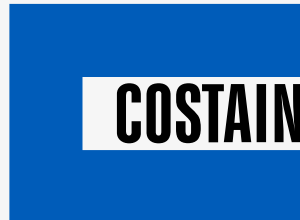


This document is important and requires your immediate attention.

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 2020 Annual General Meeting

Your attention is drawn to the letter from the chair of the Company on pages 2 and 3 of this document. This letter explains the format of this year's Annual General Meeting as a result of current government restrictions on gatherings of more than two people resulting from the coronavirus pandemic and 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 Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB at 10.00am on Friday 19 June 2020, is set out on pages 4 to 6 of this document. Please complete and submit the form of proxy enclosed with this document in accordance with the instructions printed on the form. To be valid, the proxy form must be received by the Company's registrar, Equiniti, by no later than 10.00am on Wednesday 17 June 2020. Further instructions relating to the proxy form are set out on page 7 of this document.

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

18 May 2020

2020 Annual General Meeting

Dear Shareholder,
I am writing to you with details of this year's Annual General Meeting ('AGM').

The Company continues to monitor developments relating to the outbreak of COVID-19, including the related public health guidance and legislation issued by the UK Government. At the time of publication of this Notice, the UK Government has prohibited public gatherings of more than two people.

In light of these measures, and as our priority is the health, safety and wellbeing of all our stakeholders, the AGM this year will be run as a closed meeting and shareholders will not be able to attend in person. The Company will make arrangements such that the legal requirements to hold the meeting can be satisfied through the attendance of a minimum number of employee shareholders, expected to comprise two members of our Group Executive Board, and the format of the meeting will be purely functional.

The Board recognises the importance of the AGM to shareholders and is keen to ensure that you are able to exercise your right to participate in the meeting by voting. Details on how to submit your proxy vote by post, online or through CREST are set out on page 7 of this Notice. Given the current restrictions on attendance, shareholders are encouraged to appoint the chair of the meeting as their proxy rather than a named person who will not be permitted to attend the meeting.

Registered shareholders may submit their questions to the Directors in advance of the meeting by sending an email to info@costain.com and the Company will answer these in due course.

This is an evolving situation, and the UK Government may change current restrictions or implement further measures relating to the holding of general meetings during the period affected by the Coronavirus pandemic. Any changes to the AGM will be communicated to shareholders before the meeting through our website at www.costain.com and, where appropriate, by RIS announcement.

Capital Raising

On 11 March 2020, the Group announced a proposed new capital raising of up to £100 million and, on 7 May 2020, the Group announced a fully underwritten Firm Placing and Placing and Open Offer to raise gross proceeds of £100 million (the "Capital Raising"). The Capital Raising is conditional on approval of shareholders at a general meeting of the Company to be held on 27 May 2020. Subject to shareholder approval, it is expected that the Capital Raising will be completed and become effective on 29 May 2020.

Shareholders will have already received a copy or notice of availability of the Company's Prospectus relating to the Capital Raising, which is available on the Company's website at www.costain.com.

Final Dividend

The Company will pay no final dividend.

Non-executive Director resignation

On 6 February 2020, we announced that after 6 years of dedicated service David McManus will be stepping down as a Non-executive Director of the Company with effect from the conclusion of the 2020 AGM and will therefore not be seeking re-election this year.

Resolutions and Voting

The resolutions that will be put to shareholders are set out in the formal Notice of the AGM on pages 4 to 6 of this document. Explanatory notes for all business of the AGM are set out on pages 10 to 15 of this document.

This year, as required, we are presenting for approval a new Directors' Remuneration Policy, which can be found on pages 88 to 94 of the 2019 Annual Report. Our approach has been to maintain our ethos of rewarding performance and to further align the interests of Executive Directors with shareholders, meaning that the ultimate reward delivered to Executive Directors will reflect the longer term returns delivered to shareholders.

Annual Report and Accounts

Those shareholders who have elected to receive paper copies of shareholder information will have already received a copy of the Annual Report and Accounts for 2019. For those shareholders who have elected to receive shareholder information electronically via the Company's website, the Annual Report and Accounts for 2019 is available for viewing and downloading online from the Company's website at www.costain.com.

As we have taken a little time to consider how best to hold our AGM this year due to the unprecedented and evolving situation with regard to COVID-19, as required by the Disclosure Guidance and Transparency Rules we have updated some disclosures in the Annual Report and Accounts for 2019 on page 15 of this document.

Action to be Taken

It is more important to the Company than ever due to the current COVID-19 situation that shareholders have the opportunity to vote. Shareholders are therefore encouraged to appoint the chair of the meeting as their proxy rather than a named person who will not be permitted to attend the meeting. A form of proxy is enclosed for use by shareholders so that they can nominate the chair of the meeting as proxy to vote on their behalf, 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 10.00am on Wednesday 17 June 2020.

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 Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB at 10.00am on Friday 19 June 2020. You will be asked to consider and pass the resolutions listed below. Resolutions 14, 15, 16 and 17 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 2019, together with the reports of the Directors and auditor thereon.

Directors' Remuneration Report and Directors' Remuneration Policy

2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy), for the financial year ended 31 December 2019.
3. To approve the Directors' Remuneration Policy, which may be found on pages 88 to 94 of the Company's Annual Report and Accounts for the financial year ended 31 December 2019.

Re-election of Directors

4. To re-elect Dr Paul Golby as a Director of the Company.
5. To elect Mr Alex Vaughan as a Director of the Company.
6. To re-elect Mr Anthony Bickerstaff as a Director of the Company.
7. To re-elect Ms Jane Lodge as a Director of the Company.
8. To re-elect Ms Alison Wood 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 £18,047,179 or, if the Capital Raising is completed £45,824,957, (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 £36,094,358 or, if the Capital Raising is completed, £91,649,914 (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,

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 19 September 2021 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.

Special Resolutions

Disapplication of Pre-Emption Rights

14. 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 £2,707,076 or, if the Capital Raising is completed, £6,873,743,

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 19 September 2021) 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.

15. That, if Resolution 13 is passed, the Board of Directors be given the power in addition to any power granted under Resolution 14 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 £2,707,076 or, if the Capital Raising is completed, £6,873,743; 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 19 September 2021) 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.

Notice of Annual General Meeting continued

Purchase of Own Shares

16. 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 10,828,307 or, if the Capital Raising is completed, 27,494,974;
- (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 19 September 2021, 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.

Notice Periods for General Meetings (other than Annual General Meetings)

17. 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

18 May 2020

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 9.00am to 5.00pm, 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.

In light of the fact the UK Government has prohibited public gatherings of more than two people, the AGM this year will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders are encouraged to appoint the chair of the meeting as their proxy rather than a named person, or multiple named persons, who will not be allowed to attend the meeting.

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 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 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 10.00am on Wednesday 17 June 2020. 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.

However, as noted above, the AGM this year will be run as a closed meeting and shareholders will not be able to attend in person.

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. However, as noted above, due to the current circumstances, shareholders are encouraged to appoint the chair of the meeting as their proxy rather than a named person, or multiple named persons, who will not be allowed to attend the meeting.
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.

Notes to the Notice of Annual General Meeting continued

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 Wednesday 17 June 2020 (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.

In light of the fact the UK Government has prohibited public gatherings of more than two people, the AGM this year will be run as a closed meeting and shareholders will not be able to attend in person. Shareholders are encouraged to submit a proxy vote in advance of the meeting.
11. As at 11 May 2020 (the latest practicable date prior to the publication of this Notice), the Company's issued share capital consists of 108,283,074 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 May 2020 are 108,283,074. 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). 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). 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 10am on Wednesday 17 June 2020. 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.
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. 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.

However, as noted above, the AGM this year will be run as a closed meeting and neither shareholders, nor named proxies, will be able to attend in person. Registered shareholders may submit their questions to the Directors in advance of the meeting by sending an email to info@costain.com and the Company will answer these in due course.

20. A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at www.costain.com.

21. 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.

22. 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 9.00am to 5.00pm, 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.

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 13 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 14 to 17 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 Report 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 2019 are available on the Company's website at www.costain.com and have been sent to those shareholders who have elected to receive a hard copy.

Resolutions 2 and 3: Directors' Remuneration

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 2019 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 95 to 107 of the 2019 Annual Report and Accounts.

Resolution 3 concerns the approval of the Company's Remuneration Policy on the remuneration of its Directors (the 'Directors' Remuneration Policy'). The Company is required to present the Directors' Remuneration Policy to shareholders for approval at the AGM at least every three years. This is the Company's forward-looking policy on Directors' remuneration and is set out in the Directors'

Remuneration Report on pages 88 to 94 of the 2019 Annual Report and Accounts. The current Directors' Remuneration Policy was approved by shareholders at the 2017 AGM and, in line with market practice, it was the Company's intention not to seek approval of a new policy within three years. A new Directors' Remuneration Policy is therefore being put to shareholders for approval at this year's AGM. If approved by shareholders, the Directors' Remuneration Policy will take effect immediately after the end of the AGM and will apply until replaced by a new or amended policy and the voting will be binding on the Company. Once the policy is effective, the Company will not be 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.

If the Directors' Remuneration Policy is not approved by the shareholders for any reason, the Company will, if and to the extent permitted to do so under the Companies Act 2006, continue to make payments to Directors in accordance with the Company's existing policy on Directors' remuneration.

Resolutions 4 to 9: Election and re-election of Directors

Resolutions 4 to 9 concern the election and re-election of the Directors. In accordance with the requirements of the 2018 UK Corporate Governance Code, all the Directors, with the exception of David McManus whose departure from the Board was announced on 6 February 2020, are standing for re-election by the shareholders at this year's AGM. Alex Vaughan, chief executive officer, who was appointed to the Board after the 2019 AGM, will be seeking election by shareholders for the first time.

The Board has confirmed, following an internally conducted performance review, that all Directors standing for election and 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.

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.

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 election and 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 2019 Annual Report and Accounts. In addition, set out below are additional reasons to support the respective election or 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. Paul has offered substantial guidance and support to Alex Vaughan in Alex's first year as chief executive officer.

Resolution 5: Election of Mr Alex Vaughan as a Director

Alex joined Costain in 1992 and has been a member of the Executive Board since 2006, before his appointment as chief executive officer in May 2019. Alex played a leading role in Costain's transformation into a smart infrastructure solutions

business through his leadership of the development and growth of the Group's consultancy and technology services. In his role as MD, Natural Resources Division, Alex delivered significant growth in profit and margin. Alex brings to the Board a wealth of varied experience, having also worked on infrastructure projects in the UK and internationally and, additionally, held various corporate roles across HR, strategy, M&A and corporate development. Together with the chief financial officer, he maintains a constructive dialogue with institutional investors on Group strategy and performance.

Resolution 6: 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 officer, he maintains a constructive dialogue with institutional investors on Group strategy and performance.

Resolution 7: 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.

Explanatory Notes to the Notice of Annual General Meeting continued

Resolution 8: 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 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.

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 2018 and 31 December 2019.

Resolution 13: Renewal of Authority to Allot Shares

At the Company's AGM held on 7 May 2019, shareholders granted an authority (the 'General Authority') to the Directors to allot ordinary shares up to an aggregate nominal amount of £17.8m. As at 31 December 2019, the only shares that had been allotted were in order to satisfy awards under the Company's share schemes and scrip dividends.

As the General Authority is due to expire on 7 August 2020, 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 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 this is £18,047,179. If the Capital Raising is completed, the resolution provides for the amount to be £45,824,957 to reflect the Capital Raising.

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 that 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 this is £36,094,358. If the Capital Raising is completed, the resolution provides for the amount to be £91,649,914 to reflect the Capital Raising.

Aside from the Capital Raising, the Company has 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 19 September 2021 and the end of the AGM to be held in 2021.

Resolutions 14 and 15: 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 or, if the Capital Raising is completed, 5% of the total issued ordinary share capital (excluding treasury shares) of the Company following completion of the Capital Raising ; and

Explanatory Notes to the Notice of Annual General Meeting continued

Resolutions 14 and 15: Disapplication of Pre-emption Rights continued

- (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 or, if the Capital Raising is completed, no more than 5% of the total issued share capital of the Company following completion of the Capital Raising), 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 19 September 2021 and the end of the AGM to be held in 2021.

Resolution 16: 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% of the ordinary shares in issue, excluding treasury shares. As at the latest practical date prior to the publication of the Notice of AGM this is 10,828,307 shares. If the Capital Raising is completed, the resolution provides for the amount to be 27,494,974 shares to reflect the Capital Raising. 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 19 September 2021). 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 19 September 2021 and the end of the AGM to be held in 2021. The Board has no present intention to exercise the authority sought under the resolution.

Resolution 17: 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 17, 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.

Update on Disclosure Guidance and Transparency Rules

- (i) Referring to Page 107 of the 2019 Annual Report, the Company confirms that there have been no changes to directors' beneficial shareholdings since 31 December 2019.
- (ii) Referring to Page 109 of the 2019 Annual Report, the Company received a notification from J O Hambro Capital Management Limited on 17 March 2020 that on 16 March 2020 it had increased its total interest in the Company to 10.37% of voting rights comprising 8.88% attached to shares and 1.49% through financial instruments.

**Costain Group PLC**

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