



## Scrip Dividend Scheme

The renewal of the Scrip Dividend Scheme was approved by shareholders of Costain Group PLC at their Annual General Meeting held on 5 May 2022.

If you are in any doubt about the action you should take with this document, you should seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000. If you have sold all of your shares, you should contact your stockbroker or agent without delay for advice as to how to proceed.

# Costain Group PLC Scrip Dividend Scheme

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

The renewal of the Scheme was approved at the 2022 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, EQ (formerly known as Equiniti), 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, EQ, 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:

$$\frac{(\text{Number of ordinary shares held at the dividend record date} \times \text{cash dividend rate per share}) + \text{surplus cash (if any)}}{\text{Scrip reference price}}$$

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 2.0 pence per ordinary share, your shareholding is 1,000 ordinary shares, and the scrip reference price is £0.60:

- Value of cash dividend:  $1,000 \times 2.0p = £20.00$
- Number of new shares:  $£20.00 \div £0.60 = 33.33$ , rounded down to 33 shares
- Value of new shares:  $33 \times £0.60 = £19.80$ , leaving a surplus cash balance of £0.20 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.

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, EQ, 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 EQ, 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, EQ, 15 working days before the relevant dividend payment date. A notice of cancellation will take effect on its receipt by EQ 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, EQ, 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, EQ, at the following address: EQ, Share Dividend Team, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephoning EQ on +44 (0)371 384 2268 (please use the country code if calling from outside the UK). Lines are open 9.00am to 5.00pm, Monday to Friday, excluding public holidays in England and Wales.

**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, EQ, 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 as at the date of this document. 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.

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 subject to income tax at a rate of 0% on any dividend income received in the tax year up to the amount of the Dividend Allowance. Any dividend income received in excess of the Dividend Allowance is subject to income tax at the following rates: from 6 April 2022, 8.75% on dividend income within the basic rate band; 33.75% on dividend income within the higher rate band; and 39.35% 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 (determined as set out above).

### 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.



**Costain Group PLC**

Registered in England and Wales

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