

*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 financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of 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. 01393773)*

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## Notice of Annual General Meeting and Explanatory Notes to Shareholders

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Your attention is drawn to the letter from the Chairman of the Company which is set out on page 3 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 on Thursday 05 May 2016 at 3.00pm, is set out on pages 4 and 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 proxy 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. The proxy form must be received by the Company's registrars, Equiniti, by no later than 3.00pm on Tuesday 03 May 2016. 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

31 March 2016

Notice of Annual General Meeting

Dear Shareholder,

I am pleased to be writing to you with details of our Annual General Meeting ('AGM') which we are holding at The Lincoln Centre, 18 Lincoln's Inn Fields, London WC2A 3ED on Thursday 05 May 2016 at 3.00pm.

This Notice of AGM can be found on the Company's website at [www.costain.com](http://www.costain.com).

### **Resolutions**

The resolutions that will be put to shareholders are set out in the formal Notice of the AGM which is set out on pages 4 and 5 of this document. Explanatory notes to the Notice of the AGM are set out on pages 9 and 10 of this document.

### **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 2015 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 2015 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 Chairman of the meeting as proxy to vote on the shareholder's behalf at the meeting, either in the manner they direct or at the Chairman'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 registrars, Equiniti, as soon as possible and, in any event, no later than 3.00pm on Tuesday 03 May 2016. 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 and unanimously recommends that you do so as well.

Yours faithfully,



David Allvey  
Chairman

## 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 Thursday 05 May 2016 at 3.00pm. You will be asked to consider and pass the resolutions listed below. Resolution 11 will be proposed as a special resolution. All other resolutions will be proposed as ordinary resolutions.

### Ordinary Resolutions

#### Annual Report and Accounts

1. To receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 December 2015, together with the reports of the Directors and auditors.

#### Directors' Remuneration Report

2. To approve the Directors' Remuneration Report (other than the part summarising the Company's Policy on Directors' remuneration), which may be found on pages 77 to 94 of the Company's Annual Report and Accounts for the financial year ended 31 December 2015.

#### Final Dividend

3. To authorise the payment of a final dividend on the ordinary shares of 7.25 pence per ordinary share for the financial year ended 31 December 2015 on 20 May 2016 to shareholders on the register at the close of business on 15 April 2016.

#### Re-election of Directors

4. **To re-elect Mr Anthony Bickerstaff, who retires by rotation, as a Director of the Company.**

The biographical details for Anthony Bickerstaff are as follows:

**Skills and experience:** Tony Bickerstaff was appointed Finance Director in June 2006. Tony has extensive knowledge of the construction and support services sectors both in the UK and overseas. He is responsible for all aspects of the financial management of the Company as well as playing a major role in the Company's strategic and operational development. Previously, Tony was with the Taylor Woodrow Group, which he joined in 1982. He held a number of senior management and financial positions in Taylor Woodrow including Finance Director of Taylor Woodrow Construction Limited. Prior to becoming Finance Director, he was Divisional Operations Director in charge of Taylor Woodrow Group's PFI projects.

**External appointments:** Non-Executive Director and Chair of the Audit Committee of Low Carbon Contracts Company Limited and Electricity Settlements Company Limited.

5. **To re-elect Mr David Allvey, who retires by rotation, as a Director of the Company.**

The biographical details for David Allvey are as follows:

**Skills and experience:** David Allvey was appointed Chairman in January 2008 prior to which he was Chairman of the Audit Committee. With a career that started in civil engineering and subsequently as a Chartered Accountant, his previous roles include Group Finance Director for BAT Industries plc, Group Finance Director for Barclays Bank plc and Chief Operating Officer for Zurich Financial Services, member of the UK Accounting Standards Board and member of the International Accounting Standards Insurance Group. David was previously Senior Non-Executive Director of Intertek Group plc (2002 to 2011), Senior Non-Executive Director of William Hill plc (2002 to 2011), Senior Independent Director of Friends Life FPG Limited (formerly Friends Provident Group plc) (2009 to 2011), Chairman of Arena Coventry Ltd (2006 to 2012), Non-Executive Director of Thomas Cook plc (2007 to 2012) and Senior Independent Director of Friends Life Holdings plc (formerly Friends Life Group plc) (2009 to 2015).

David is a Director of The Costain Charitable Foundation.

**External appointments:** Non-Executive Director of Clydesdale Bank plc, Non-Executive Director of National Australia Group Europe Limited and Non-Executive Director of Aviva Life Holdings UK Limited.

6. **To re-elect Ms Jane Lodge, who retires by rotation, as a Director of the Company.**

The biographical details for Jane Lodge are as follows:

**Skills and experience:** Jane Lodge was appointed as a Non-Executive Director in August 2012 and was appointed Chair of the Audit Committee with effect from the end of October 2012. Prior to this Jane spent 35 years at Deloitte LLP (UK), 25 as an audit partner advising global companies, particularly in the manufacturing, house-building and property and construction sectors. She was senior partner of the Birmingham office and the Deloitte UK Manufacturing Industry Sector. Jane was previously a Non-Executive Director and Chair of the Audit Committee, Moorgate Industries Limited (2014-2015).

**External appointments:** Non-Executive Director and Chair of the Audit Committee, Devro PLC, Non-Executive Director, Black Country Living Museum Trust Ltd, Non-Executive Director and Chair of the Audit Committee, DCC PLC, Non-Executive Director, Bromsgrove School Foundation and Non-Executive Director and Chair of the Audit Committee, Sirius Minerals Plc.

**Reappointment of Auditors and Auditors' Remuneration**

- 7. To reappoint KPMG LLP as auditors of the Company until the conclusion of the next AGM of the Company.
- 8. To authorise the Directors to determine the auditors' remuneration.

**Renewal of the Powers of the Board to Allot Shares**

- 9. To resolve that the Directors be and are hereby authorised generally and unconditionally to exercise all the powers of the Company to allot relevant securities (as defined in Section 551 of the Companies Act 2006) up to a nominal amount of £17,016,736 and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or laws of, any territory or any matter.

The authorities conferred on the Directors to allot securities under this resolution will expire on the date of the AGM of the Company to be held in 2017 or on 05 August 2017, whichever is sooner, unless previously revoked or varied by the Company, and such authority shall extend to the making before such expiry of an offer or an agreement that would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred hereby had not expired.

**Renewal of the Scrip Dividend Scheme**

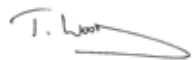
- 10. Subject to Resolution 9 being approved, that the Directors be and are hereby authorised to offer and allot ordinary shares to ordinary shareholders in lieu of a cash dividend from time to time or for such period as they may determine pursuant to the terms of Article 118 of the Company's Articles 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 Resolution**

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

- 11. 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*  
31 March 2016

**Registered Office:**

Costain House  
Vanwall Business Park  
Maidenhead  
Berkshire  
SL6 4UB

Registered in England  
and Wales No. 01393773

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 registrars, Equiniti, on 0371 384 2250 (overseas callers should call +44 121 415 7047). Lines are open 8.30am to 5.30pm, Monday to Friday, excluding UK bank holidays. 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). 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 Tuesday 03 May 2016. 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 6.00pm on 03 May 2016 (or, in the event of any adjournment, by 6.00pm 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 30 March 2016 (being the last business day prior to the publication of this Notice), the Company's issued share capital consists of 102,100,417 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 30 March 2016 are 102,100,417. 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 Tuesday 03 May 2016. 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. Members have the right, under Section 338 of the Companies Act 2006, to 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. Additionally, members have the right under Section 338A of the Companies Act 2006 to require the Company to 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. The Company is required to give such notice of a resolution or include such matter once it has received requests from members representing at least 5% of the total voting rights of all the members who have a right to vote at the AGM or from at least 100 members with the same right to vote who hold shares in the Company on which there has been paid up an average sum per shareholder of at least £100. This request must be received by the Company not later than six 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.
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.
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](http://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):

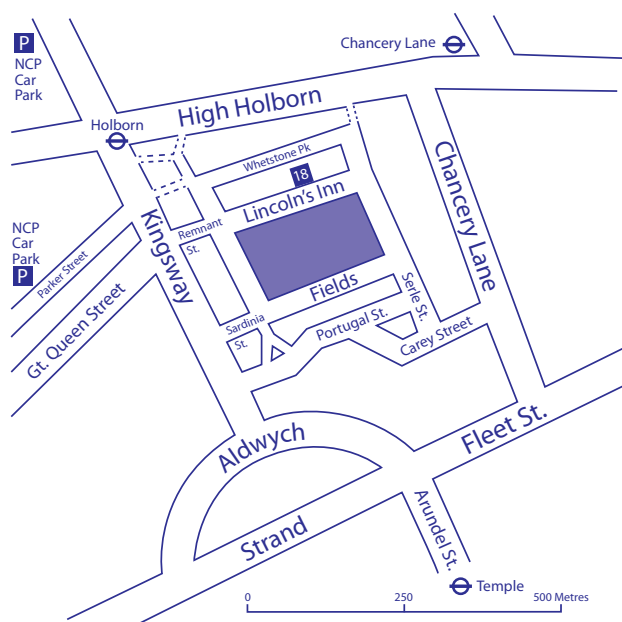
- By contacting the Company's registrars Equiniti in writing addressed to Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephoning their shareholder helpline on 0371 384 2250 (overseas callers should use +44 121 415 7047). Lines are open 8.30am to 5.30pm, Monday to Friday, excluding UK bank holidays.
- 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](mailto: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.

23. 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.

24. 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 10 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. Resolution 11 is proposed as a special resolution. This means that for this resolution to be passed, at least three-quarters of the votes cast must be in favour of it.

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

The Annual Report and Accounts for the year ended 31 December 2015 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.

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

Resolution 2 concerns the approval of the Annual Report on Remuneration of the Directors, together with the Chairman's Summary Statement, contained within the Directors' Remuneration Report of the 2015 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 and the vote is an advisory one.

You can find the Directors' Remuneration Report on pages 77 to 94 of the 2015 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. The Policy was approved by shareholders at the 2014 AGM and applies until replaced by a new or amended policy and a summary can be found on pages 79 to 81 of the Directors' Remuneration Report in the 2015 Annual Report and Accounts. In line with market practice, it is the intention of the Company not to seek approval of a new policy within three years of the current Policy's approval. Following approval of the Policy at the 2014 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: Payment of Final Dividend**

If resolution 3 is approved by shareholders, the final dividend for the year ended 31 December 2015 will be paid on 20 May 2016 to shareholders whose names are on the Company's Register of Members at close of business on 15 April 2016.

## **Resolution 4: Re-election of Mr Anthony Bickerstaff as a Director**

Anthony Bickerstaff was first elected to the Board in March 2006. In accordance with the Company's Articles of Association and the UK Corporate Governance Code, Anthony Bickerstaff is required to stand for re-election at the 2016 AGM, having held office at the time of the two preceding AGMs and not having retired at either of them. Further information about Anthony Bickerstaff is given on page 58 of the 2015 Annual Report and Accounts and on page 4 of this document.

## **Resolution 5: Re-election of Mr David Allvey as a Director**

David Allvey was first elected to the Board in November 2001 and became Chairman in January 2008. In accordance with the Company's Articles of Association and the UK Corporate Governance Code, David Allvey is required to stand for re-election at each AGM, having served on the Board for more than nine years. Further information about David Allvey is given on page 58 of our 2015 Annual Report and Accounts and on page 4 of this document.

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

Jane Lodge was first elected to the Board in August 2012. In accordance with the Company's Articles of Association and the UK Corporate Governance Code, Jane Lodge is required to stand for re-election at the 2016 AGM, having held office at the time of the two preceding AGMs and not having retired at either of them. Further information about Jane Lodge is given on page 59 of our 2015 Annual Report and Accounts and on page 5 of this document.

## **Resolution 7: Reappointment of Auditors**

The auditors are 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 auditors, is proposing the reappointment of KPMG LLP.

## **Resolution 8: Auditors' Remuneration**

This resolution gives the Directors authority to determine the remuneration of the auditors.

### **Resolution 9: Renewal of the Powers of the Board to Allot Shares**

The Investment Association permits companies to propose a resolution at their AGM seeking a general authority to allot new shares up to one-third of the existing issued ordinary share capital of the Company. This resolution will give the Directors authority to allot up to 34,033,472 shares in the Company (being approximately 33.33% of the Company's existing share capital as at 30 March 2016, being the latest practicable date prior to the date of this document) in addition to all existing authorities. There are no current plans to allot new shares pursuant to this authority other than to fulfil the Company's obligations under its executive and employee share plans, together with the issue of shares under the Company's scrip dividend scheme.

### **Resolution 10: Renewal of the Scrip Dividend Scheme**

At the 2013 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 five years (until the conclusion of the 2018 Annual General Meeting) which at the time was in line with the guidelines of the Investment Association (IA), formerly the ABI. As the current IA guidelines now require renewal at least every three years, shareholder approval is 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 2015 (and all future dividends) should return a completed mandate form to the Company's registrars, Equiniti by 28 April 2016. The relevant contact details for Equiniti can be found on page 156 of the 2015 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.

### **Resolution 11: Notice Periods for 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 resolution 11, 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

## Costain Group PLC

### Scrip Dividend Scheme

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

The renewal of the scrip dividend scheme was approved at the 2013 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 registrars, 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 Limited, 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 (disregarding any tax credit) 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 (disregarding any tax credit). 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:

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

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 scrip dividend 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 scrip dividend scheme. You will, however, receive a statement explaining that no new shares have been issued to you under the scrip dividend 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 scrip dividend 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 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 Limited, quoting the shareholder reference numbers shown on your share certificate. 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 15 working days before the relevant dividend payment date. A notice of cancellation will take effect on its receipt by Costain's Registrar 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 receives 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 Registrars, 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 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 'gross amount') which is equal to the cash equivalent of those new ordinary shares. The gross amount will be regarded as the top slice of the individual's income and the individual will be taxable on it as dividend income.

From 6 April 2016 the Dividend Tax Credit will be replaced by a new tax-free Dividend Allowance. Under the new regime, the individual will not be subject to income tax on the first £5,000 of dividend income. Any dividend income received in excess of £5,000 will be 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.

For example, assume an individual has non-dividend taxable income (i.e. after the Personal Allowance) of £29,000 and receives new ordinary shares with a cash equivalent of £12,000. £5,000 is received tax-free under the Dividend Allowance reducing the taxable dividends to £7,000. However, the combined income of £29,000 plus the dividend income of £12,000 takes the individual above the basic rate threshold for 2016/17 (£32,000) and therefore, £7,000 of the dividend income (i.e. the amount received in excess of the Dividend Allowance) falls within the higher rate band and is subject to income tax at 32.5%.

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.