

*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)*

---

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

---

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 Monday 08 May 2017 at 3.00pm, is set out on pages 4 and 7 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 Thursday 04 May 2017. Further instructions relating to the proxy form are set out on page 8 of this document.



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

17 March 2017

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 Monday 08 May 2017 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 to 7 of this document. Explanatory notes to the Notice of the AGM are set out on pages 11 to 14 of this document.

We will be introducing poll voting at the AGM this year. Each of the resolutions to be put to the meeting will be voted on a poll rather than by a show of hands. A poll vote accurately reflects the number of voting rights exercisable by each member and is in line with corporate governance recommendations and best practice.

Please note that resolutions relating to political donations (resolution 12), the disapplication of pre-emption rights (resolutions 13 and 14) and share buybacks (resolution 15) are being put to shareholders at this year's AGM. More information about these, and the other resolutions, is contained in the explanatory notes to the Notice of the AGM.

We are also proposing to shareholders at the AGM an increase in the borrowing powers of the Company (resolution 11). The borrowing powers of the Company were last increased as part of the equity raising undertaken in March 2014 and the proposed increase reflects the continued growth of the Company since then. Further details regarding the resolution are set out in the enclosed AGM notice.

### **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 2016 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 2016 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 Thursday 04 May 2017. 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,

Dr Paul Golby CBE  
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 Monday 08 May 2017 at 3.00pm. You will be asked to consider and pass the resolutions listed below. Resolutions 13, 14, 15 and 16 will be proposed as special resolutions. 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 2016, together with the reports of the Directors and auditors.

#### Directors' Remuneration Report

2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy), which may be found on pages 59 to 78 of the Company's Annual Report and Accounts for the financial year ended 31 December 2016.

#### Directors' Remuneration Policy

3. To approve the Directors' Remuneration Policy, which may be found on pages 62 to 68 of the Company's Annual Report and Accounts for the financial year ended 31 December 2016.

#### Final Dividend

4. To authorise the payment of a final dividend on the ordinary shares of 8.4 pence per ordinary share for the financial year ended 31 December 2016 on 19 May 2017 to shareholders on the register at the close of business on 07 April 2017.

#### Re-election of Directors

Resolutions 5 to 7 (as separate resolutions):

5. **To elect Dr Paul Golby, appointed by the Board of Directors since the last Annual General Meeting, as a Director of the Company.**

The biographical details for Dr Paul Golby are as follows:

**Skills and experience:** Paul Golby was appointed as Chairman of Costain in May 2016. A Fellow of the Royal Academy of Engineering, Paul has held a variety of roles within the engineering and energy industries. Following an early career with Dunlop Holdings plc and BTR plc he joined Clayhithe plc, becoming an Executive Director in 1992. In 1998, Paul joined East Midlands Electricity plc as Managing Director and following its acquisition by PowerGen (subsequently E.ON UK plc) was appointed Executive Director, UK operations. In 2002, Paul became Chief Executive and later Executive Chairman, stepping down from the E.ON Board in December 2011. Paul was also Non-Executive Chairman of AEA Technology Group plc (2009-2012) and Chairman of Engineering UK (2010-2016). Paul is a member of the Nomination Committee.

**External appointments:** Non-Executive Director of National Grid plc since February 2012 and Non-Executive Chairman of the National Air Traffic Services (NATS Holdings Ltd.) since October 2014. Paul has also been Chairman of the Engineering and Physical Sciences Research Council since 2012. Paul was appointed as Pro-Chancellor of Aston University and Chair of Council in 2009. He was also appointed as a member of the Prime Minister's Counsel for Science and Technology in June 2011.

6. **To re-elect Mr James Morley, who retires by rotation, as a Director of the Company.**

The biographical details for James Morley are as follows:

**Skills and experience:** James Morley was appointed as the Senior Independent Director in January 2013 prior to which he served as Chairman of the Audit Committee from January 2008 until the end of October 2012. He is a Chartered Accountant with some 27 years' experience as a board member of both listed and private companies. Previous roles include Chief Operating Officer of Primary Group Ltd (2006 to 2007), Group Finance Director of Cox Insurance Holdings plc (2002 to 2005), Group Finance Director of Arjo Wiggins Appleton plc (1999 to 2001), Group Executive Director Finance of Guardian Royal Exchange plc (1990 to 1999), Deputy Chief Executive and Finance Director of Avis Europe plc (1976-1989), Non-Executive Director of the Bankers' Investment Trust plc (1994 to 2008), Non-Executive Director of W S Atkins plc (2001-2009), Non-Executive Director of Trade Indemnity Group plc (1991-1996), Non-Executive Director of The Innovation Group plc (2007-2015), Non-Executive Chairman of Acumus Ltd. (2011-2012), Non-Executive Director of Speedy Hire plc (2009-2015) and Non-Executive Director of BMS Group Ltd. (2011-2015). James is a member of the Remuneration Committee, Audit Committee and Nomination Committee.

**External appointments:** Non-Executive Director of Clarkson plc and Minova Insurance Holdings Ltd.

**7. To re-elect Ms Alison Wood, who retires by rotation, as a Director of the Company.**

The biographical details for Alison Wood are as follows:

**Skills and experience:** Alison Wood was appointed as a Non-Executive Director with effect from 1 February 2014 and was appointed as Chairman of the Remuneration Committee from the beginning of April 2014. Alison is the former Global Director of Strategy and Corporate Development at National Grid plc (2008-2013). Before that, Alison spent nearly 20 years in a number of strategy and leadership roles at BAE Systems plc including Group Strategic Development Director. Alison has also held Non-Executive Director positions with BTG plc (2004-2008) and Thus Group plc (2007-2008). Alison is Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Alison is a Director of the Costain Charitable Foundation.

**External appointments:** Non-Executive Director and Chairman of the Remuneration Committee at Cobham plc and TT Electronics plc, Senior Independent Director at e2v Technologies plc and Non-Executive Director of the British Standards Institute

**Appointment of Auditors and Auditors' Remuneration**

Resolutions 8 to 9 (as separate resolutions):

8. To appoint PricewaterhouseCoopers LLP (PwC) as auditors of the Company until the conclusion of the next Annual General Meeting of the Company.
9. To authorise the Directors to determine the auditors' remuneration.

**Powers of the Board to Allot Shares**

10. That the Board of Directors be generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:
  - (i) up to an aggregate nominal amount of £17,386,047 (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 £34,772,094 (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 08 August 2018 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 ended.

**11. Increase in Borrowing Limits**

The Directors be and are hereby generally and unconditionally authorised for the purposes of Article 92 of the Articles of Association of the Company to incur and permit subsidiaries of the Company to incur and have outstanding borrowings (including any refinancing of such borrowings) up to an amount of £210 million in excess of the limit set out in Article 92(B)(I) of the articles of association of the Company.

## 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 during which this resolution is in force is hereby authorised to:

- (a) make political donations to political parties 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.

## Special Resolutions

### Disapplication of Pre-Emption Rights

Resolutions 13 and 14 (as separate resolutions):

13. That, if Resolution 10 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 10, 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 10 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 £2,607,907,

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 08 August 2018) 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 ended.

14. That, if Resolution 10 is passed, the Board of Directors be given the power in addition to any power granted under Resolution 13 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given under paragraph (i) of Resolution 10 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 £2,607,907; 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 08 August 2018) 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 ended.

**Purchase of Own Shares**

15. 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 10,431,628;
- (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 08 August 2018, 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 ended.

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

16. 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*  
17 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) by logging onto your portfolio using your user ID and password. Once logged in simply click 'View' on the 'My Investments' page, click on the link to vote then follow the on screen instructions. Full instructions are given on both websites;
  - (iii) in the case of CREST members, by utilising the CREST electronic proxy appointment service (as described in note 12 below), and in each case must be received by Equiniti no later than 3.00pm on Thursday 04 May 2017. Please note that any electronic communication that is found to contain a computer virus will not be accepted. If two or more valid but differing proxy appointments are received in respect of the same share for use at the AGM, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.
3. The return of a completed proxy form or other instrument (whether in hard copy form, electronically or by utilising the CREST electronic proxy service), will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
4. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
5. If a member appoints more than one proxy and the proxy forms appointing those proxies would give those proxies the apparent right to exercise votes on behalf of the member at the AGM over more shares than are held by the member, each of those proxy forms will be invalid and none of the proxies so appointed will be entitled to attend, speak or vote at the AGM.
6. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
8. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. The statement of the rights of shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investment in the Company.
10. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.30pm on Thursday 04 May 2017 (or, in the event of any adjournment, by 6.30pm on the day which is two working days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

11. As at 16 March 2017 (being the last business day prior to the publication of this Notice), the Company's issued share capital consists of 104,316,286 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 March 2017 are 104,316,286. 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 Thursday 04 May 2017. 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. Members meeting the threshold requirements under Section 338 and Section 338A of the Companies Act 2006 have the right to:
  - (i) require the Company to give its members notice of a resolution which the members wish to be moved, and which may be properly moved, at an AGM of the Company, and/or
  - (ii) include a matter which may be properly included (other than a proposed resolution) in the business to be dealt with at the AGM. A resolution may be properly moved or a matter may be properly included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by way of inconsistency with any enactment of the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. This request must be received by the Company not later than 24 March 2017, being the date six clear weeks before the AGM (or, if later, the time at which notice is given of the AGM). Such a request may be in hard copy form or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
20. Any member or duly appointed proxy attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:
  - (i) to do so would interfere unduly with the preparation for the meeting; or
  - (ii) to do so would involve the disclosure of confidential information; or
  - (iii) the answer has already been given on a website in the form of an answer to a question; or
  - (iv) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

21. A copy of this notice, and other information required by Section 311A of the Companies Act 2006, can be found at [www.costain.com](http://www.costain.com).
22. Under Section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to:
- (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or
  - (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006.

The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

23. Except as provided above, members who have general queries about the AGM should use the following means of communication (no other methods of communication will be accepted):

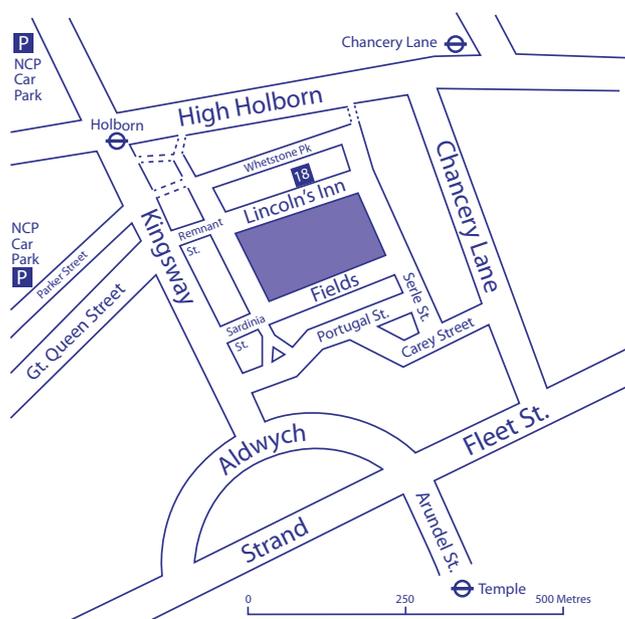
- By contacting the Company's registrars Equiniti in writing addressed to Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephoning their shareholder helpline on 0371 384 2250 (overseas callers should use +44 121 415 7047). Lines are open 8.30am to 5.30pm, Monday to Friday, excluding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

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

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

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



# EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

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

Resolutions 1 to 12 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 13 to 16 are proposed as special resolutions. This means that for each of these resolutions to be passed, at least three-quarters of the votes cast must be in favour of it.

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

The Annual Report and Accounts for the year ended 31 December 2016 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 2016 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 59 to 78 of the 2016 Annual Report and Accounts.

## **Resolution 3: Directors' Remuneration Policy**

The Company is required to present the Company's Policy on the remuneration of its Directors (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 62 to 68 of the 2016 Annual Report and Accounts. The current Directors' Remuneration Policy was approved by shareholders at the 2014 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.

## **Resolution 4: Final Dividend**

If resolution 4 is approved by shareholders, the final dividend for the year ended 31 December 2016 will be paid on 19 May 2017 to shareholders whose names are on the Company's Register of Members at close of business on 07 April 2017.

## **Resolution 5: Election of Dr Paul Golby as a Director**

Paul Golby was first appointed to the Board in May 2016. In accordance with the Company's Articles of Association and the UK Corporate Governance Code, Paul Golby is required to stand for re-election at the 2017 AGM, having been appointed by the Board since the last AGM. Further information about Paul Golby is given on page 40 of the 2016 Annual Report and Accounts and on page 4 of this document.

## **Resolution 6: Re-election of Mr James Morley as a Director**

James Morley was first appointed to the Board in January 2008 and was Chairman of the Audit Committee until October 2012, being appointed as the Senior Independent Director in January 2013. In accordance with the Company's Articles of Association and the UK Corporate Governance Code, James Morley is now required to stand for re-election at each AGM, having served on the Board for more than nine years. Further information about James Morley is given on page 40 of our 2016 Annual Report and Accounts and on page 4 of this document.

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

Alison Wood was first appointed to the Board in February 2014 and was appointed as Chairman of the Remuneration Committee in April 2014. In accordance with the Company's Articles of Association and the UK Corporate Governance Code, Alison Wood is required to stand for re-election at the 2017 AGM, having held office at the time of the two preceding AGMs and not having retired at either of them. Further information about Alison Wood is given on page 41 of our 2016 Annual Report and Accounts and on page 4 of this document.

### **Resolution 8: Appointment of Auditors**

KPMG LLP have informed the Company that they will not seek re-appointment as the Company's external auditors. Consequently, the Audit Committee has recommended, and the Board has approved, a resolution to appoint PricewaterhouseCoopers LLP (PwC) as the auditors of the Company.

The Company is required to send you a copy of the statement of the circumstances connected with KPMG LLP's decision not to seek re-appointment. A copy of the statement is attached at Appendix 1 to this Notice.

### **Resolution 9: Auditors' Remuneration**

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

### **Resolution 10: Powers of the Board to Allot Shares**

At the Company's AGM held on 05 May 2016, shareholders granted an authority to the Directors to allot ordinary shares up to an aggregate nominal amount of £17.0 million. As at 31 December 2016, the only shares that had been allotted were in order to satisfy awards under the Company's share schemes and scrip dividends.

As this authority is due to expire on 08 May 2017, shareholders will be asked to renew and extend the authority, given to the Directors at the last AGM, to allot shares in the Company, or grant rights to subscribe for, or to convert any security into, shares in the Company for the purposes of Section 551 of the Companies Act 2006 (the 'Allotment Resolution').

The authority in the first part of the Allotment Resolution will allow the Directors to allot new shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a nominal value of £17,386,047 which is equivalent to approximately one-third of the total issued ordinary share capital of the Company as at the latest practical date prior to the publication of the Notice of AGM.

In line with guidance issued by the Investment Association, the authority in the second part of Resolution 10 would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £34,772,094, which is equivalent (before any reduction) to approximately two-thirds of the total issued ordinary share capital of the Company as at the latest practical date prior to the publication of the Notice of AGM.

There are no present plans to undertake a rights issue or to allot new shares other than in connection with the Company's share schemes and scrip dividends.

If the Allotment Resolution is passed the authority will expire on the earlier of the close of business on 08 August 2018 and the end of the AGM to be held in 2018.

### **Resolution 11: Increase in the Borrowing Powers of the Company**

The Articles of Association of the Company (the "Costain Articles") provide that the Costain Group has the power to borrow up to an amount of £90 million. That borrowing limit does not include the Costain group's bonding facilities.

The Costain Articles further provide that borrowings above that amount are permitted if sanctioned in advance by an ordinary resolution of the Company's shareholders. On 17 March 2014, in conjunction with the equity raising undertaken by the Company at that time, shareholders approved an increase in permitted borrowings of up to £110 million above the £90 million threshold (i.e. borrowings of up to £200 million). That amount (£200 million) was considered by the Costain Board at the time to be an appropriate borrowing limit for the Costain Group.

As a result of the continued significant growth of the Costain group in the three years since the 2014 equity raise (with relevant financial measures, such as turnover and associated working capital requirements, increasing by approximately two thirds over that period), the board of directors consider that the Company's current borrowing limit may become restrictive and that this is not in the longer term interests of the Company or its shareholders. Accordingly, the directors are proposing this resolution which, if approved by shareholders at the AGM, will sanction an increase in permitted borrowings of up to £210 million above the £90 million limit set out in the Costain Articles (i.e. an increase in the Company's borrowing limit from the current amount of £200 million to £300 million).

Such a borrowing limit represents approximately 2x Costain's current adjusted capital and reserves (excluding the effect on reserves of the Company's pension schemes). The directors consider this to be an appropriate borrowing limit for the Costain group going forward.

## **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 in the EU totalling more than £5,000 in any 12-month period, and for any political expenditure in the EU, 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 in the EU, 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 2015 and 31 December 2016.

## **Resolutions 13 and 14: Disapplication of pre-emption rights**

Subject to approval of Resolution number 10, authorising the Board of Directors to allot new shares, shareholders will be asked to pass two special resolutions to grant the Directors powers to disapply shareholders' pre-emption rights under certain circumstances (the 'Pre-emption Resolutions').

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

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

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

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

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

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

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

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

If the Pre-emption Resolutions are passed, the authority will expire on the earlier of the close of business on 08 August 2018 and the end of the AGM to be held in 2018.

### **Resolution 15: 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 10,431,628 shares, being 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 and the Company's exercise of this authority will be subject to the stated upper and lower limits on price as required by the Listing Rules. This authority will apply until the conclusion of next year's AGM (or, if earlier, the close of business on 08 August 2018). 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 08 August 2018 and the end of the AGM to be held in 2018. The Board has no present intention to exercise the authority sought under the resolution.

### **Resolution 16: 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 resolution 16, 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



**KPMG LLP**  
**Audit**  
15 Canada Square  
London E14 5GL  
United Kingdom

Tel+44 (0) 207311 1000  
Fax +44 (0) 20 7311 3311

Costain Group PLC  
Costain House  
Vanwall Business Park  
Maidenhead  
SL6 4UB

Contact **Andrew Marshall**  
020 7311 6456

7 March 2017

Dear Directors

**Statement to Costain Group PLC (no. 01393773) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006**

The reason connected with our ceasing to hold office is the holding of a competitive tender for the audit, in which we were not invited to participate.

Yours faithfully,

KPMG LLP

Audit registration number: 9188307

Audit registration address :

15 Canada Square

Canary Wharf, London E14 5GL

