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COSTAIN

Costain Tax Strategy

Costain is a leading UK engineering solutions provider with a unique focus deploying technology-based solutions to meet national needs across the UK's energy, water and transportation infrastructures. We employ more than 4,200 staff, delivering over 99% of our turnover from UK contracts. Costain Group PLC is listed on the London Stock Exchange.

Performing responsibly is integral to our success and to the sustainability of our business, and this informs our corporate strategy and, by association, this tax strategy.

The Costain board of directors recognises that compliance with tax regulations and legislation is one of its main responsibilities. In common with other aspects of our business, oversight is assigned to one member of the board, the chief financial officer (CFO), who is responsible for apprising the board about tax matters. This allows the board members to be engaged in the tax affairs of the Group and ensures the Group adheres to its responsibilities.

The Group accounts for and pays a wide range of taxes including corporation tax, pay as you earn income tax, employer and employee national insurance, and environmental taxes and equivalent overseas taxes. In all our dealings with tax authorities, we are committed to attaining a 'low risk' tax status and this informs the Group's approach to tax matters.

The following principles underpin our commitment to complying with tax legislation in an open and responsible manner:

Relationship with HMRC - we maintain an open and collaborative relationship with HMRC, with the aim of being helpful and transparent in all our dealings, in line with the Group's engagement with all stakeholders. This ensures any issues are raised and dealt with effectively and that the Group can continue to report and pay the right tax at the right time and retain our 'low risk' tax status.

Tax risk management - we identify, assess and manage tax risk in line with the Group's risk management system and internal control processes. Tax risks are accounted for appropriately, with suitable controls being in place to measure and monitor compliance. The management of tax risk and any necessary improvements are reported to the CFO ensuring visibility of tax risk management across the Group.

Attitude to tax planning - we have a strong commercial focus and as part of our duty to our stakeholders to control costs, we do use tax reliefs and allowances where applicable, and in the manner intended by the tax authorities and statute. The Group does not engage in artificial tax arrangements.

Governance - the Group tax manager is responsible for implementing the Group's day to day approach to tax and ensuring that appropriate policies and procedures are in place, and that the Group has the skills and experience necessary to manage its tax affairs. Where required, these are supplemented with the use of external advisers to support operational and compliance matters.

This strategy has been approved by the board who consider that its publication meets the Group's duties under Schedule 19, paragraph 16(2) of the Finance Act 2016. It is effective for the year ended 31 December 2017 and will remain in effect until the next publication in December 2018.