



**Costain Group PLC**  
**Remuneration Committee - Terms of Reference**

**1. Definitions**

In these Terms of Reference:

references to **"the Board"** shall mean the board of directors of the Company;

references to **"the Chair of the Committee"** shall mean the Chair of the Remuneration Committee;

references to **"the Chair of the Company"** shall mean the Chair of the Company;

references to **"the Chief Executive"** shall mean the Chief Executive of the Company;

references to **"the Chief Financial Officer"** shall mean the Chief Financial Officer of the Company;

references to **"the Code"** shall mean the 2018 UK Corporate Governance Code;

references to **"the Committee"** shall mean the Remuneration Committee;

references to **"the Company"** shall mean Costain Group PLC;

references to **"directors"** means the directors of the Board;

references to **"executive directors"** shall mean those members of the Board who are executive directors; and

references to **"non-executive directors"** shall mean those members of the Board who are non-executive directors.

**2. Role**

The role of the Committee is to determine and recommend to the Board the framework or broad policy on the remuneration of the Chair of the Company, executive directors and senior management (as determined by the Board), and for determining, on behalf of the Board, the remuneration packages (including pension rights) and compensation packages on employment or termination of office of each of the executive directors and senior management.

**3. Membership**

- 3.1 The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, and shall comprise the Chair of the Committee and at least two other members.

- 3.2 All members of the Committee shall be independent non-executive directors. The Chair of the Company may be a member of the Committee if they were considered independent on appointment as Chair of the Company, but may not be the Chair of the Committee.
- 3.3 The Board should appoint the Chair of the Committee, who shall be an independent non-executive director. Before appointment as Chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these Terms of Reference to be appointed to that position by the Board.
- 3.4 Appointments to the Committee shall be on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee.
- 3.5 Appointments shall be for a period of up to three years. This period may be extended for two additional periods of up to three years, provided members (other than the Chair of the Company, if they are a member of the Committee) continue to be independent.
- 3.6 Only Committee members have the right to attend Committee meetings. However, the Committee may ask or invite other individuals, such as the Chief Executive, the HR Director, other directors and external advisers or any other person, to attend for all or part of any Committee meeting as and when appropriate.

#### **4. Quorum**

The quorum necessary for the transaction of business of the Committee shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **5. Secretary**

The Company Secretary, or their nominee, shall act as the Secretary of the Committee ("**the Secretary**"). The Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### **6. Frequency of Meetings**

- 6.1 The Committee shall meet at least twice a year and at such other times as the Chair of the Committee or any other member of the Committee shall require.
- 6.2 Subject to paragraph 6.1 above, the Committee (as a guide) shall meet in the following months.
- (A) February - to review the remuneration report to be included in the Annual Report, approve the bonuses payable for the previous year, consider the issues for the April salary review, review of bonus schemes for the current year, approve the April salary increases across the group and finalise the salary and bonus terms for the Chief

Executive, Chief Financial Officer and Company Secretary and review the fees payable to the Chair;

- (B) April – to review the grant of awards under the Company's share plans; and
- (C) December - to preliminarily review the salary review for April the following year and to determine and make recommendations regarding general issues for the following year's bonus schemes, annual incentive plan and long-term incentive plan.

## **7. Notice of Meetings**

- 7.1 Meetings of the Committee shall be called by the Secretary at the request of the Chair of the Committee or any member of the Committee.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and to any other person required to attend, on reasonable notice and no fewer than three working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

## **8. Minutes of Meetings**

- 8.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee promptly. Once approved by the Committee, minutes of the Committee meeting should be circulated to the members of the Committee, other members of the Board and to the Company Secretary, unless, exceptionally, it would be inappropriate to do so.

## **9. Engagement with shareholders**

The Chair of the Committee shall attend the Annual General Meeting of the Company and be prepared to respond to any shareholder questions on the activities of the Committee. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **10. Duties**

The Committee shall carry out the duties detailed below for the Company, its subsidiary undertakings and the group as a whole, as appropriate. The Committee shall:

- 10.1 establish remuneration schemes that promote long-term shareholding by executive directors that support alignment with long-term shareholder interests, with share awards subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;
- 10.2 design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to company purpose and values,

clearly linked to the successful delivery of the Company's long-term strategy, and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances;

- 10.3 determine and agree with the Board the framework or broad policy for the remuneration and benefits of the Chair of the Company, the executive directors, the Company Secretary and such other members of the senior management team as it is designated by the Board to consider in accordance with the principles and provisions of the Code (including its requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture). The Committee does not have any authority with respect to the remuneration of non-executive directors which shall be a matter for the Chair of the Company and the Chief Executive of the Company to determine within the limits set in the Articles of Association;
- 10.4 in determining such policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. It shall also liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy;
- 10.5 when setting remuneration policy for those detailed in paragraph 10.3, review and have regard to the remuneration trends across the Company and the group;
- 10.6 regularly review the adequacy and effectiveness of the remuneration policy;
- 10.7 within the terms of the agreed policy, and in consultation with the Chair of the Company and/or the Chief Executive, as appropriate, determine the total individual remuneration package of each Executive Director, the Chair of the Company and senior managers including, where appropriate, bonuses, incentive payments and share options or other share awards. The Committee acknowledges that the choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company and individual performance, and wider circumstances;
- 10.8 ensure that no director or senior manager shall be involved in any decisions as to their own remuneration outcome. In addition, the Chair of the Company, if a member of the Committee, shall absent themselves from any meeting of the Committee at which their own performance and remuneration are discussed and shall not be entitled to vote upon any matter relating to their performance and/or remuneration;
- 10.9 determine the policy for and scope of pension arrangements, service agreements for the executive directors and other designated employees noted in paragraph 10.3, termination payments and compensation commitments. The Committee shall ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 10.10 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations of the Code and published guidelines or

recommendations regarding the remuneration of directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules sourcebook, and any other applicable rules, as appropriate;

- 10.11 have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company. However, the Committee shall avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants;
- 10.12 ensure that the provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- 10.13 review the design of all share incentive plans for approval by the Board and, where required, shareholders. For any such plans, determine each year whether awards will be made, and, if so, the overall amount of such awards, the individual awards to executive directors, Company Secretary and other designated senior managers, and the performance targets to be used;
- 10.14 in determining remuneration packages and arrangements, including the performance criteria for performance-related plans, the Committee shall have particular regard to any concerns raised by the Board on the implications of the remuneration policy for risk and risk management;
- 10.15 review workforce remuneration and related policies and the alignment of incentives and rewards with culture (and take account of these when setting the policy for executive director remuneration);
- 10.16 work and liaise as necessary with other board committees, ensuring the interaction between committees and with the Board is reviewed regularly;
- 10.17 oversee any major changes in employee benefits structures throughout the Company or group; and
- 10.18 agree the policy for authorising claims for expenses from the directors.

## **11. Reporting Responsibilities**

- 11.1 The Chair of the Committee shall report to the Board on its proceedings after each meeting on the nature and content of its discussion, recommendations and actions to be taken.
- 11.2 Where a remuneration consultant is appointed the remuneration consultant should be identified in the Company's Annual Report alongside a statement about any other connection it has with the Company or individual directors.
- 11.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.

- 11.4 The Committee shall produce an annual report of the Committee's remuneration policy and practices which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval at the Annual General Meeting.

## **12. Authority**

- 12.1 The Committee is a committee of the Board from which it derives its authority and to which it regularly reports.
- 12.2 The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference. The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 12.3 The Committee has authority to investigate any matters within its responsibilities and to obtain such information as it may require from any director, officer or employee of the group.
- 12.4 In connection with its duties, the Committee is authorised by the Board to obtain, at the Company's expense (within any budgetary restraints imposed by the Board), any external legal or other professional advice including the advice of independent remuneration consultants, and to commission or purchase any reports, surveys or information which the Committee deems necessary, on any matters set out in these Terms of Reference.
- 12.5 Although the Committee can seek the advice and assistance of any of the Company's executives, it must ensure that this role is clearly separated from their role within the business.

## **13. Other matters**

The Committee shall:

- 13.1 have access to sufficient resources in order to carry out its duties, including being provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members and access to the Company Secretary for advice and assistance as required; and
- 13.2 ensure that a periodic evaluation of its own performance is carried out and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**CHAIR**

**8 JULY 2020**