



Costain Group PLC
Remuneration Committee - Terms of Reference

1. Definitions

In these Terms of Reference:

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

references to **"the Board"** shall mean the board of directors of Costain Group PLC;

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

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

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

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

references to **"the Chief Executive of the Company"** shall mean the Chief Executive of Costain Group PLC.

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 Chairman 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 Chairman of the Committee and at least two other members.

3.2 All members of the Committee shall be independent non-executive directors. The Chairman of the Company may be a member of the Committee if he/she was considered independent on appointment as Chairman of the Company, but may not be the Chairman of the Committee

3.3 The Board should appoint the Chairman of the Committee, who shall be an independent non-executive director. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months. In the absence of

the Chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of their number present to chair the meeting.

3.4 Appointments to the Committee shall be on the recommendation of the Nomination Committee and in consultation with the Chairman of the Committee.

3.5 Appointments shall be for a period of up to three years. This period may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

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 his/her nominee shall act as the Secretary of the Committee (“**the Secretary**”).

6. Frequency of Meetings

6.1 The Committee shall meet not less than four times a year and at such other times as any 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 consider the issues for the April salary review and review of bonus schemes for the current year;

(B) March - to review the remuneration report to be included in the Annual Report, approve the bonuses payable for the previous year, finalise the salary and bonus terms for the Chief Executive, Finance Director and Company Secretary and review the fees payable to the Chairman;

(C) October - to preliminarily review the salary review for April the following year; and

(D) December - to determine and make recommendations regarding general issues for the following year’s bonus plan.

7. Notice of Meetings

7.1 Meetings of the Committee shall be called by the Secretary at the request of the Chairman 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, to any other person required to attend and all other Non-executive Directors, on reasonable notice and no fewer than three working days prior to the date of the meeting.

7.3 Only Committee members have the right to attend Committee meetings. However, the Committee may ask other individuals, such as the Chief Executive, the FIR Director and external advisers, to attend for all or part of any Committee meeting as and when appropriate.

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 Committee meetings should be circulated to all members of the Board unless it would be inappropriate to do so.

9. Annual General Meeting

The Chairman 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.

10. Duties

The Committee shall:

10.1 determine and agree with the Board the framework or broad policy for the remuneration of the Chairman of the Company, the Executive Directors, the Company Secretary and such other members of the executive management team as it is designated by the Board to consider. The remuneration of non-executive directors shall be a matter for the Chairman of the Company and the Chief Executive of the Company. No director or manager shall be involved in any decisions as to his or her own remuneration;

10.2 in determining such policy, take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives for retentive purposes and to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. It shall also liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy;

10.3 when setting remuneration policy for the Executive Directors, review and have regard to the remuneration trends across the Company and the Group;

10.4 approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;

- 10.5 within the terms of the agreed policy, and in consultation with the Chairman of the Company and/or the Chief Executive, as appropriate, determine the total individual remuneration package of each Executive Director including, where appropriate, bonuses, incentive payments and share options or other share awards;
- 10.6 determine the policy for and scope of pension arrangements, service agreements for the Executive Directors, 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;
- 10.7 in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations of the UK Corporate Governance Code as well as the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules (including the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, as appropriate;
- 10.8 review and give consideration to equivalent packages and arrangements of competitor companies;
- 10.9 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;
- 10.10 ensure that the provisions regarding disclosure of remuneration, including pensions, are fulfilled;
- 10.11 review the design of all share incentive plans for approval by the Board and 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 executives, and the performance targets to be used;
- 10.12 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;
- 10.13 oversee any major changes in employee benefits structures throughout the Company or Group;
- 10.14 agree the policy for authorising claims for expenses from the Directors; and
- 10.15 within the terms of the agreed policy, and in consultation with the Chief Executive, determine the annual fee of the Chairman of the Company and other such members of senior management including, where appropriate, bonuses, pension arrangements, share options and other awards. The Chairman of the Company, if a member of the Committee, shall absent himself from any meeting of the Committee at which his own performance and remuneration are discussed and shall not be entitled to vote upon any matter relating to his performance and/or remuneration.

11. Reporting Responsibilities

- 11.1 The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 Where a remuneration consultant is appointed the remuneration consultant should be identified in the 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.
- 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 authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 12.2 The Committee has the authority to call any employee, through the Secretary, to be questioned at a meeting of the Committee as and when required.
- 12.3 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.
- 12.4 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 be 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
- 13.2 arrange for periodic reviews of its own performance 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.

CHAIRMAN