



Costain Group PLC

Matters Reserved for the Board

as agreed and adopted by the PLC Board on 8 July 2020

1. STRATEGY AND MANAGEMENT

- 1.1 Responsibility for the overall management of the Group.
- 1.2 Approval of the Group's long-term objectives and commercial strategy.
- 1.3 Approval of the annual operating and capital expenditure budgets and any material changes to them.
- 1.4 Over-sight of the Group's operations ensuring:
 - (A) competent and prudent management;
 - (B) sound planning;
 - (C) an adequate system of internal control;
 - (D) adequate accounting and other records; and
 - (E) compliance with strategy and regulatory obligations.
- 1.5 Review of performance in the light of Group strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 1.6 Extension of the Group's activities into new business or geographic areas.
- 1.7 Any decision to cease to operate all or any material part of the Group's business.
- 1.8 Any proposal to merge or amalgamate the Company or any of its subsidiaries with any other company.
- 1.9 Any proposal regarding the Company's relationship with a "substantial shareholder" (as defined in Listing Rule 11) (if any), including any proposed transaction or arrangement between the Company and the "substantial shareholder".

2. STRUCTURE AND CAPITAL

- 2.1 Changes relating to the Group's capital structure including reduction of capital, share issues (except under employee share plans), share buy-back including the use of Treasury shares.
- 2.2 Major changes to the Group's corporate structure.
- 2.3 Changes to the Group's management and control structure.
- 2.4 Any changes to the Company's listing or its status as a PLC.
- 2.5 The allotment of any shares of the Company or the granting of options over any of the Company's shares or the shares of its subsidiaries.

3. FINANCIAL REPORTING AND CONTROLS

- 3.1 Approval of the half yearly report, interim management statements and any preliminary announcement of the final results.
- 3.2 Approval of the annual report and accounts, including the corporate governance statement and remuneration report.
- 3.3 Approval of the dividend policy.
- 3.4 Declaration of the interim dividend and recommendation of the final dividend.
- 3.5 Approval of any significant changes in accounting policies or practices.
- 3.6 Approval of Treasury policies including foreign currency exposure and the use of financial derivatives.
- 3.7 The making of any change to the accounting reference date of the Company.
- 3.8 Reviewing the monthly management accounts.

4. INTERNAL CONTROLS

Ensuring maintenance of a sound system of internal control and risk management including:

- 4.1 Receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes to support its strategy and objectives;
- 4.2 Undertaking an annual assessment of these processes; and
- 4.3 Approving an appropriate statement for inclusion in the annual report.

5. CONTRACTS

- 5.1 Approval of any contracts of the Company or any subsidiary in the ordinary course of business where the value is greater than £100 million.
- 5.2 Approval of any consultancy or technology contracts of the Company or any subsidiary in the ordinary course of business that is in excess of £20 million.
- 5.3 Approval of any opportunity or contract involving capital expenditure or R&D funding that has a value in excess of £2 million.
- 5.4 Approval of any contracts which could reasonably be expected to have a material effect on the reputation or standing of the Company or the Group or any joint venture arrangements with new partners.
- 5.5 Any contract of the Company or any subsidiary involving new services which has an unusual commercial risk profile (for example, but not limited to, contracts where more than 50% of contract value is at risk) or is material to the Group.
- 5.6 Any contract of the Company or any subsidiary subject to a term of 5 years or more.
- 5.7 Approval of contracts for any acquisition or disposal of an investment, asset (including land) or business where its cash or market value, whichever is the greater, exceeds £1 million.
- 5.8 Approval of any guarantee of a debt (other than a guarantee given in respect of a subsidiary in connection with the Group's banking and bonding facilities) and any guarantee which would be outside the ordinary course of business.
- 5.9 Approval of all new borrowing (or indebtedness in the nature of borrowings) by the Company or any of its subsidiaries.
- 5.10 Approval of all major investments including the acquisition or disposal of interests of more than 5% in the voting shares of any company or the making of any take-over offer.

6. COMMUNICATIONS

- 6.1 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 6.2 Approval of all circulars, prospectuses and listings particulars.
- 6.3 Approval of Stock Exchange announcements concerning matters decided by the Board.

7. BOARD MEMBERSHIP AND OTHER APPOINTMENTS

- 7.1 Changes to the structure, size and composition of the Board following recommendations from the Nomination Committee.

- 7.2 Following recommendations from the Nomination Committee to ensure adequate succession planning for the Board and senior management.
- 7.3 Appointments to the Board following recommendations by the Nomination Committee.
- 7.4 Selection of the Chair of the Company and the Chief Executive.
- 7.5 Appointment of the Senior Independent Director.
- 7.6 Membership (including the position of chair) of Board Committees.
- 7.7 Continuation in office of directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate.
- 7.8 Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company subject to the law and their service contract.
- 7.9 Appointment or removal of the Company Secretary.
- 7.10 Appointment or removal of the Head of Internal Audit.
- 7.11 Appointment, re-appointment or removal of the external auditor to be put to shareholders for approval following recommendations of the Audit Committee.
- 7.12 Appointments to the Executive Board.

8. REMUNERATION

- 8.1 Approval of the remuneration policy of the Chair of the Company, the executive directors and the senior management as determined by the Remuneration Committee.
- 8.2 Determination of the remuneration of the non-executive directors in accordance with the Company's Articles of Association.
- 8.3 The introduction of new share incentive plans or major changes to existing plans to be put to shareholders for approval.

9. DELEGATION OF AUTHORITY

The delegation of responsibilities to the Chief Executive and the Executive Board which will be contained in the policy on delegation.

10. CORPORATE GOVERNANCE MATTERS

- 10.1 Responsibility for establishing and reconfirming the Company's purpose and values, and for ensuring that the Company's purpose, values and strategy and its culture are aligned.

- 10.2 Undertaking a formal and rigorous review annually of its own performance, that of its committees and individual directors.
- 10.3 Determining the independence of directors.
- 10.4 Considering the balance of interests between shareholders, employees, customers and the community.
- 10.5 Review of the Group's overall corporate governance arrangements and engaging appropriately with the Company's workforce and other stakeholders.
- 10.6 Receiving reports on the views of the Company's shareholders.
- 10.7 Reviewing the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, and ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

11. POLICIES

The approval of significant policies.

12. OTHER MATTERS

- 12.1 Establishing Board Committees and approving their terms of reference (including material changes thereto)
- 12.2 Receiving reports from Board Committees on their activities.
- 12.3 The approval of the appointment or dismissal of the Group's principal professional advisors.
- 12.4 The prosecution, defence or settlement of litigation involving an amount above £5 million or being otherwise material to the interests of the Group Officers' liability insurance.
- 12.5 Major changes to the rules of the Group's pension scheme.
- 12.6 The schedule of matters reserved for Board decisions.