

Matters reserved for the Mears Group PLC Board

Adopted by Board resolution on 5 December 2015 and updated by Board resolution on 5 September 2018.

This document sets out an overview of the areas for which the Mears Group PLC Board has responsibility and the specific matters for which Board authority is required together with those items which the Board has delegated to a committee.

A. Board Responsibilities

The Board ensures good governance, sets corporate policy and monitors the Group's performance. It therefore:

- oversees the Group's strategy and corporate policies with the objective that its businesses maximise shareholder value whilst paying due regard to all relevant stakeholder and community interests;
- ensures that the Company has robust systems to monitor compliance with its Articles and Memorandum of Association;
- ensures that the Group has robust systems to monitor compliance with all applicable law and regulation;
- regularly monitors progress against plans, budgets and objectives, reviewing major variances;
- sets Key Performance Indicators against which such plans, budgets and performance are assessed;
- agrees the Group funding strategy, sets borrowing limits, monitors compliance with all funding requirements and ensures that it maintains its status as a going concern at all times;
- monitors Group Health, Safety and Employment matters, regularly reviewing reports of all incidents and complaints;
- ensures that the Group complies with best corporate governance practice;
- reviews, at least annually, the adequacy of the system of internal control and associated processes for the identification and management of strategic risks;
- monitors, advises, supports, challenges and develops senior management and ensures the existence of adequate succession plans;
- approves the company's approach to risk management, including contributing to the Group risk register and risk appetite, establishing how risk is controlled and mitigated; ensuring the risk management framework is subject to effective internal audit and external audit as necessary;

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- regularly evaluates its own performance, ensures sufficient breadth of experience, diversity and independence amongst board members and effectively plans for board succession;
- maintains a programme of shareholder communication designed to ensure positive investor relations;
- ensures that all items requiring regular review are included on an Agenda for a Board meeting and that sufficient time is allocated for such items to be properly considered;
- reviews, at least annually, this schedule of reserved matters, terms of reference for and powers delegated to committees and the membership of such committees.

B. Matters requiring Board approval

The following matters require approval by the Board:

- the annual business plan/budget including amounts provided for Capital Expenditure;
- all financial statements intended for publication;
- any dividend or other distribution to be declared in relation to ordinary shares;
- any corporate acquisition, merger, disposal, investment, divestment or joint venture;
- any acquisition or disposal of an asset involving consideration exceeding £2m;
- any contract not in the ordinary course of business, involving a related party or which would otherwise require a Stock Exchange announcement;
- any press release or other announcement other than routine matters required by the Transparency Directive as regards shareholdings;
- any new funding facility;
- any issue or buy-back of share capital;
- any change to any contractual arrangement with any PLC Director;
- any change to the Group Anti-bribery, Anti-Fraud or Whistle-blowing policies;

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- any matters that would have a significant impact on the Board responsibilities listed above;
- expenditure and other decisions as per the Group's Scheme of Delegated Authority.

The Board has created three committees: the Audit Committee, the Remuneration Committee and the Nominations Committee, with the following responsibilities:

C. Audit Committee

Membership

The Audit Committee will be composed of a Chairman and at least two other non-executive directors, each of whom shall be deemed to be independent of the Group as defined in applicable Corporate Governance codes. At least one non-executive director shall have recent and relevant financial experience.

The Committee may ask any executive Director or any senior manager of the Group to attend meetings of the Committee either regularly or by invitation.

The Committee shall ask a representative of the Group's Auditors and the Group's Chief Risk Officer to attend Committee meetings. Each year the Committee shall have at least one meeting or part of a meeting with the Auditors without any executive Directors or members of management present. The Committee shall meet annually with the head of the Group's internal audit function on a similar basis.

Quorum

The quorum necessary for the transaction of any business shall be two. 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.

Frequency of Meetings

The Committee will meet at least three times per year.

The Chairman shall call a meeting of the Committee if requested to do so by the Auditors or by the head of the internal audit function

Minutes

The Secretary to the Committee, who shall be the Company Secretary or his nominee, shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's responsibilities and activities.

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Duties

The Committee shall:

- review the Group's risks and related controls and determine the appropriateness of management's response to each identified risk including procedures for identification, assessment and reporting of risks;
- in relation to the Group's Financial Statements:
 - set and regularly review appropriate accounting policies;
 - identify and review all judgements and estimates on which they rely;
 - consider whether the going concern assumption and statement is appropriate
 - review compliance with applicable accounting standards and practices;
 - review compliance with applicable London Stock Exchange, legal and other regulatory requirements;
 - advise the Board if the Financial Statements are fair, balanced, understandable and provide users with the information needed to assess the Group's performance, business model and strategy;
 - review the proposed statements on internal control and viability prior to endorsement by the Board;
- in relation to the Auditors:
 - assess the Audit Plan for each year and, in particular, ensure that key risk areas are sufficiently addressed in such plan;
 - review the results of the audit with the Auditors and consider whether any adjustments to the accounts are required;
 - consider the appointment of the Auditors, review their services, performance, remuneration and cost effectiveness;
 - consider the Auditors' independence and authorise any non-audit work to be carried out by the Auditor;
 - regularly and at least every ten years to carry out a tender for the Audit;
 - review the audit representation letters prior to signature by management;
 - obtain feedback from key individuals about the conduct of the audit and the robustness and perceptiveness of the Auditor;
- in relation to internal audit:
 - assess the adequacy of the internal audit plan and the results of this work and appoint an external party to evaluate the adequacy and effectiveness of such plans and work at least every three years;
 - monitor the effectiveness and completeness of management responses to internal audit findings;
 - ensure the head of the Group's internal audit function has, if required, direct access to the Chairman of the Committee;

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- other:
 - regularly review the Group's policies for anti-fraud, anti-bribery and whistle-blowing;
 - regularly review and make recommendations to the Board in relation to these terms of reference and its own performance to ensure it is operating effectively.

The Committee is authorised to obtain any information from the executives that it considers necessary to carry out its responsibilities and to appoint any external advisers to assist it in the performance of its duties.

D. Remuneration Committee

The Remuneration Committee will be composed of a Chairman and at least two other non-executive directors, each of whom shall be deemed to be independent of the Group as defined in applicable Corporate Governance codes.

It will meet at least three times per year and its responsibilities are as follows:

- oversee pay, pension, reward and terms and conditions of executive directors and senior company staff including any performance related elements;
- advise on the role of Executive Board members;
- approve any senior staff / employees share options and valuations of LTIP incentive schemes;
- seek assurances about Group HR strategy;
- seek assurance about the performance of Group Pension schemes and the application of Group pay policy and bonus scheme;
- seek assurance about the effectiveness of senior staff succession plans; and
- receive reports on equal pay matters and seek assurance that plans will improve the Group's position relative to best in class.

E. Nominations Committee

The Nominations Committee will be composed of a Chairman and at least two other non-executive directors, each of whom shall be deemed to be independent of the Group as defined in applicable Corporate Governance codes. It will meet at least once per year and its responsibilities are as follows:

- regularly review the Board structure, size, composition, age profile and diversity to ensure that there is an appropriate balance of knowledge, experience and skills;

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- ensure that there are appropriate succession plans in place;
- appoint external search consultants and oversee the process for selecting any new executives or non-executives to be proposed for PLC Board membership;
- ensure the provision of an induction programme for new directors and monitor the professional development and training needs of existing directors;
- make recommendations to the Board as to the suitability for re-election or re-appointment of any directors retiring by rotation;
- assess and recommend which Directors are independent or not independent for disclosure in the Financial Statements;
- annually review the performance of each PLC director.