

Mears Group PLC

Matters reserved for the Board

Membership

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.

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;
- 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.

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;
- 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 certain delegated authorities as set out in their terms of reference.

Approval

These terms of reference were adopted by Board resolution on 5 December 2015 and were updated by Board resolution on 5 September 2018.

Mears Group PLC

Audit Committee Terms of Reference

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.

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;
- 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.

Approval

These terms of reference were adopted by Board resolution on 5 December 2015 and were updated by Board resolution on 5 September 2018.

Mears Group PLC

Remuneration Committee Terms of Reference

Membership

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.

Only members of the Committee have the right to attend Committee meetings. However other individuals, including Executive Directors, the Human Resources Director and any external advisors may be invited to attend for all or part of any meeting as and when appropriate and necessary.

The Committee Chairman, who shall be an independent non-executive director, shall be appointed by the Board on the recommendation of the Nomination Committee from among the members of the Remuneration Committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be Chairman of the Committee.

Each member of the Committee should be capable of making a valuable contribution to the Committee such that the Committee, collectively, has appropriate knowledge, expertise and professional experience concerning remuneration policies and practices.

Each member of the Committee shall disclose to the Committee:

- any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
- any potential conflict of interest arising from a cross-directorship or other business interest.

Any such member shall abstain from voting on resolutions and participating in the discussions concerning such resolutions. Except where he has a personal interest, the Committee Chairman shall have a casting vote.

The Committee Chairman and members shall be listed each year in the Company's annual report.

Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee.

Quorum

The quorum necessary for the transaction of 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.

It will meet at least three times per year in person or by telephone or video conference and at such other times as the Chairman of the Committee shall require.

Notice of meetings

Meetings of the Committee shall be summoned by the Company Secretary at the request of the Committee Chairman. 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 any other person required to attend. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time and in a timely manner to enable full and proper consideration to be given to the issues.

Minutes

The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

The Secretary shall ascertain, at the beginning of the meeting, the existence of any conflicts of interest and minute them accordingly.

Draft minutes of Committee meetings shall be circulated to all members of the Committee, and once agreed to all members of the Board, unless a conflict of interest exists.

Annual General Meeting

The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

Duties

The Committee shall determine the Company's remuneration policy, taking into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code ("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 the views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals, purpose and culture and the desired behaviours that underpin them.

Once set, the Committee shall review the ongoing appropriateness and relevance of the remuneration policy, including consideration of any shareholder votes against the remuneration report and remuneration policy at the previous AGM and how shareholder views have been taken into account in formulating policies.

The Committee shall:

- determine and agree with the Board, the pay, pension, reward and terms and conditions of Executive Directors in accordance with Executive Pay policy agreed by shareholders;
- determine the remuneration of the Company's Chairman;
- oversee the pay, pension and other benefits of members of the senior leadership team including any performance related elements; and
- 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 the Executive Directors and other Senior Management and the performance targets to be used.

The remuneration of Non-Executive Directors shall be a matter for the Chairman and Executive Directors of the Board. No Director or Manager shall be involved in any decisions as to their own remuneration.

The Committee shall:

- review the application of Group pay policy;
- seek assurances about Group HR strategy and its application;
- seek assurance about the performance of Group Pension schemes, regularly review pension contribution policy across all grades
- seek assurance about the effectiveness of senior staff succession plans; and
- review and note reports on equal pay matters.

Reporting Responsibilities

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled. The Committee shall produce:

- an annual report setting out the Company's remuneration policies and practices, and its duties and activities during the year; and
- a policy report in respect of directors' remuneration at least every three years.

Both shall form part of the Company's annual report and accounts and be approved by shareholders as required under the Companies Act 2006. If the Committee has appointed remuneration consultants, the remuneration report should identify such consultants and state whether they have any other connection with the Company.

Through the Chairman of the Board, the Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.

Other

The Committee shall review its own performance, its constitution, and terms of reference annually to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

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 and all employees are directed by the Board to cooperate with any request made by the Committee.

The Committee is authorised by the Board to obtain, at the Company's expense, external or other professional advice on any matters within its terms of reference and to secure the attendance of any person with relevant experience and expertise if it reasonably considers this necessary

Approval

These terms of reference were approved by the Board of Mears Group PLC on 28 July 2020.

Mears Group PLC**Nomination Committee Terms of Reference****Membership**

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.

Frequency of Meetings

The Committee will meet at least once per year.

Duties

The Committee's 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;
- 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.

Approval

These terms of reference were adopted by Board resolution on 5 December 2015 and were updated by Board resolution on 5 September 2018.