



# Being a responsible business

**Costain Group PLC**  
ESG Report  
2021





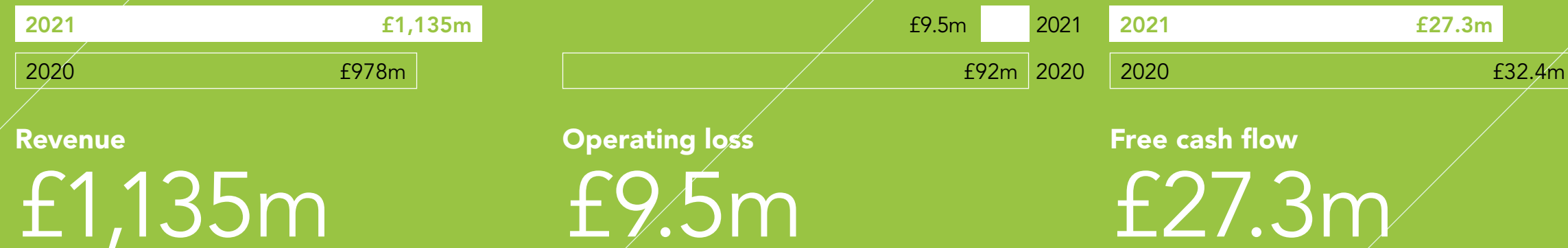
Photo credit: Thames Tideway

**Our vision is to create connected, sustainable infrastructure that enables people and the planet to thrive.**

*"Our use of the river to transport spoil and materials to and from site, keeps lorries off London's already congested roads. One barge is equivalent to up to 93 HGVs, and produces far fewer emissions."*

**Matthew Gardiner**  
Environmental Manager, Tideway East

**FINANCIAL METRICS**



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To find out more about how Costain collaborates with clients on a wide range of contracts, please visit our website / [www.Costain.com](http://www.Costain.com)



**Environment**

**WE ARE TAKING ACTION TODAY TO TACKLE THE ENVIRONMENTAL CHALLENGES FACING OUR PLANET, ENSURING WE SAFEGUARD ITS FUTURE FOR GENERATIONS TO COME.**



Read more / **page 07**



**Social**

**BEING A RESPONSIBLE BUSINESS IS NOT JUST ABOUT DELIVERING A SUSTAINABLE PRODUCT OR SERVICE, IT IS ALSO ABOUT CONSIDERING THE SOCIAL IMPACT OF HOW WE OPERATE.**



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**Governance**

**WE ARE COMMITTED TO THE HIGHEST LEVELS OF CORPORATE GOVERNANCE AND THIS ALSO APPLIES TO HOW WE OPERATE AS A RESPONSIBLE BUSINESS.**



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2021 ESG HIGHLIGHTS



Environment

Resource efficiency matrix savings  
**1,647tCO<sub>2</sub>e**

**15**  
contracts with biodiversity  
net gain plans

**0**  
major environmental incidents



Social

Lost Time Injury Rate (LTIR)  
**0.15**

**£200k**  
community investment  
(sum of charitable giving and  
employee volunteering hours)

**44%**  
increase in apprentices and  
graduates joining the business



Governance

**£571.0m**  
spent with SMEs

**3,000**  
colleagues completed our  
code of conduct training

**44.6**  
average Considerate Constructors  
Scheme score (out of 50)

EMPLOYEE NETWORKS HIGHLIGHTS

**REACH network**  
(Religion, Ethnicity and Cultural Heritage)



We achieved silver accreditation in the Inclusive Employer Standard in 2021, following a successful first cohort of our reverse mentoring programme with our REACH Network.

**DAWN network**  
(Disability and Wellbeing)

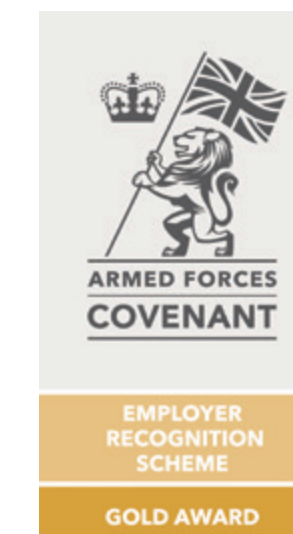


We became a Disability Confident Employer in 2021, and aim to be a Disability Confident Leader by 2024. We have also joined the sunflower lanyard scheme to raise awareness of hidden disabilities.

**Women's network**



We have been selected as a Times Top 50 Employer for Women for the fourth year in a row and have increased the percentage of women in senior management positions from 30% in 2020 to 38% in 2021.



**Services and service families network**

We achieved a gold award in the Armed Forces Covenant Employers Recognition Scheme, following our commitment to supporting ex-military personnel into the workplace.

**Parenting and Carers network**



We are a member of Working Families and regularly submit to their employer benchmark. We actively promote dynamic working to support parenting and caring responsibilities, professional development and work-life balance.

**LGBT+ and Allies network**

Transitioning at work guidance and process document was published



We have received a silver award in the Stonewall Workplace Equality Index and have moved 238 places up the ranking. Last year, we released our 'How to Transition (Gender) at Work' guidance.



CHIEF EXECUTIVE'S STATEMENT



*"Challenges including population growth, climate change and our economic and environmental resilience are more urgent than ever."*

**Alex Vaughan**  
Chief Executive Officer



**Working together to create a green transport future**

Heavy Goods Vehicles (HGVs) currently emit 18% of all road vehicle CO<sub>2</sub> emissions, despite only representing 1.2% of the total number of vehicles on the road and 5% of the total miles driven. They are, however, essential to the health of the UK economy.

Through Innovate UK, the Department for Transport has commissioned a Costain led consortium to assess the economic and technical potential of the UK's first 'eHighway'.

It is the UK's first ever study on the electrification of long-range trucks with dynamic charging, using overhead wires on motorways and an important step towards understanding how industry could work together to tackle one of the largest carbon emission producers in the country and create a cleaner, greener and more efficient road freight network across the UK.



Find out more / [www.Costain.com](http://www.Costain.com)



# Being a force for change

Welcome to our 2021 ESG report. We pride ourselves on being a responsible and sustainable business with a clear purpose to improve people's lives. We want to be a force for change and safeguard the future of our planet for generations to come.

Infrastructure is facing enormous change, underpinned by significant committed investment and generating huge opportunities for us. In my mind, addressing these changes requires a different approach. We have aligned our services to meet the changing needs of our clients, allowing us to shape, create and deliver pioneering solutions that transform the performance of the infrastructure ecosystem.

In 2021, we navigated the pandemic showing exceptional resilience as Costain supported the Government in keeping vital infrastructure schemes operational. We couldn't have done this without the commitment of our people to keep their teams and communities safe.

The safety and wellbeing of our people and our stakeholders is a core value, and we are pleased to report Costain's safety performance, achieving a Lost Time Injury Rate (LTIR) 0.15. In addition to our efforts to eliminate harm in all we do, we have continued to prioritise the support we offer to our people and workforce to be at their best, particularly in respect of their wellbeing.

In 2020 we set a target to spend £1bn with voluntary, charitable, and social enterprises (VCSEs) and small business by 2030. We are delighted to report that since 2020, Costain has spent over £664m with VCSEs and small businesses and our spend with SMEs continues to exceed the Government target (33%) at 38% in 2021.

This report contains our first Task Force on Climate-related Financial Disclosures (TCFD) section. In 2021 we commissioned a team to lead on TCFD compliance and undertook a detailed climate scenario analysis to help inform our strategic approach and risk management. Climate change was elevated to a principal risk recognising the priority of this topic.

We continue to implement our Climate Change Action Plan, and in 2021 our contracts established a plant idling baseline and set a 20% reduction target. We are continuing to work with manufacturers and our plant suppliers to accelerate the transition of our vehicle fleet. We mandated Hydrotreated Vegetable Oil (HVO) fuels for

construction plant and continued the transition to fully electric and hydrogen construction plant.

Since 2020 we have been accredited PAS2080 compliant and in 2021 we joined the COP26 Race to Zero campaign and signed the 'Climate Pledge', an initiative with the ambition to beat the Paris Agreement 2050 target by achieving net zero by 2040 at the latest (Costain target's is to be net zero by 2035 at the latest).

In addition to making ambitious commitments, we were active at COP26, sharing the actions we have taken as a business with The Construction Leadership Council and joining clients and the Prince's Trust in a conversation on green skills and a 'just transition'.

We are not only decarbonising our operations at pace, but also our solutions to support our clients to meet their net zero objectives, positioning Costain as clean-growth leaders helping to decarbonise the UK. We are stress testing our net zero objective, seeking certification from SBTi for carbon and additionally biodiversity in 2022.

To keep driving change, we need diverse teams working together in an inclusive environment. We updated our inclusion strategy in 2021, setting out the actions that we need to take to have a representative workforce and to help create an inclusive environment where people can be at their best and thrive. I am proud that we were named in The Times Top 50 Employers for Women list in 2021, for the fourth consecutive year and to achieve the Silver Inclusive Employer standard.

Looking ahead, while we are mindful of the macro-economic backdrop, we have already secured more than £1bn of Group revenue for 2022 and have entered the new year with good momentum. We expect to deliver further progress in 2022 and remain confident in the Group's strategy and longer-term prospects

**Alex Vaughan**  
Chief Executive Officer  
03 March 2022



**OUR BUSINESS MODEL**

**Infrastructure is adapting to meet dramatically changing needs driven by climate change, population growth and the need for economic and environmental resilience.**

There are huge opportunities to update, connect and integrate our infrastructure ecosystem to create a better future. Doing this requires a new kind of company which brings together a unique mix of experts across construction, consulting and digital. Everything that we do is rooted in delivery and organised around our clients, anticipating and solving their challenges.



**HOW WE HELP TRANSFORM INFRASTRUCTURE PERFORMANCE**

**Client focus**

Being curious with clients to understand their challenges and deliver solutions that best meet the needs of their customers – the end users.

**Expertise**

We have in-depth understanding and expertise to address challenges across the entire infrastructure asset life cycle.

**Capabilities**

Our complex programme delivery experience combined with our broader digital and consulting capabilities enables us to deliver better, integrated solutions.

**People and culture**

We have a mix of skills and diversity across our workforce, with [over 400] chartered professionals in our highly skilled teams.

**Innovation**

We work in partnership with universities to research and develop pioneering solutions, generating intellectual property rights.

**Collaboration**

We work closely with our supply chain partners, clients and regulators to ensure we are delivering the best outcomes for the end users.

**UNDERSTANDING THE NEEDS OF OUR CLIENTS ACROSS THE INFRASTRUCTURE ECOSYSTEM**

We work with clients to anticipate, listen to and solve their challenges, helping us secure opportunities to deliver pioneering solutions throughout the infrastructure ecosystem.

**INFLUENCE, SHAPE AND ADVISE**

- Shaping new approaches to infrastructure
- Scoping and planning solutions designed to optimise value and reduce risk



**CREATE AND DELIVER**

- Engineering innovative solutions that are sustainable, efficient and practical while delivering projects in a safer, greener, faster and more efficient way



**MAINTAIN, OPTIMISE AND REPURPOSE**

- Enhancing and maintaining existing assets to ensure safe, efficient and cost-effective operations
- Extending asset life or decommissioning while delivering economic and environmental value



**OUR CAPABILITIES**



**Complex programme delivery**

Our people deliver large and complex infrastructure projects in a sustainable, efficient and practical way by constantly innovating and working collaboratively.



**Consultancy**

Our value-adding consultancy and advisory services are rooted in project delivery experience and leverage our broad range of capabilities.



**Digital**

We engineer and integrate digital solutions into our projects to increase capacity and deliver economic and environmental value.

**HELPING PEOPLE AND THE PLANET THRIVE**

The sustainable, efficient and practical solutions we provide support UK economic growth and contribute to meeting the challenge of economic and environmental resilience.

**For all of us**

Delivering effective, environmentally friendly infrastructure solutions that are user-friendly and good value for money.

**For our clients**

Helping develop future technologies which will shape longer-term solutions while delivering current projects safely, reliably and responsibly.

**For our people**

Keeping our people safe and supporting their personal development to help empower the next generation.

**For our partners**

We work in partnership with our suppliers and JV partners to share best practice across the industry.

**For our shareholders**

Transforming the business to deliver long-term profit growth and returns.

**For the environment**

Making efficient use of resources and delivering projects which help protect and revitalise the environment.

**For our communities**

Investing in the local areas in which we work and upskilling disadvantaged and underrepresented people.

**UNDERPINNED BY OUR COMMITMENT TO RESPONSIBLE BUSINESS**

We are committed to doing the right thing: our responsible business commitments are an integral part of our strategy.



ALIGNING OUR BUSINESS TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Our purpose is to improve people's lives by delivering integrated leading edge smart infrastructure solutions to meet national needs across the UK's energy, water, transportation and defence markets.



Aligning to global goals

In September 2015 the United Nations (UN) General Assembly adopted 17 global goals for 2030 that aim to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. These are known as the UN Sustainable Development Goals (SDGs). The SDGs create a common language for government, business and society to provide clarity in addressing the megatrends giving rise to urgent national needs. We have mapped our business against the SDGs and believe through the delivery of our infrastructure services we make a significant contribution to the following five SDGs.

	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION
<b>Focus of the goal</b>	To substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	To enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.	To develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	To provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.	To strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.
<b>How Costain aligns</b>	We provide engineering and technology-based solutions to UK water utility companies across the life cycle of their assets. Our solutions help to decarbonise, improve water quality and affordability, while delivering innovation to improve resilience. In 2021 we were at the front end of clients' delivery strategies in AMP7, helping them to drive safer, faster, greener, better and more efficient capital programmes and asset operations.	We work with industry, transport and energy utilities to shape the decarbonised energy systems of the future. These will safeguard security of supply and support the UK's journey towards net zero carbon, aligned with the UK Government's Energy White Paper and £12 billion Ten Point Plan for a Green Industrial Revolution.	Our markets are underpinned by significant UK Government and regulated investment, including the National Infrastructure Strategy, the Ten Point Plan for a Green Industrial Revolution and Energy White Paper, the Defence spending review, Ofgem's commitment to RIIO-2 and Ofwat's commitment to AMP7. All of which require us to deliver safer, better, greener, faster and more efficiently.	We are supporting key clients such as National Highways, HS2 and Network Rail with strategic development, major infrastructure delivery, existing asset optimisation and operational improvement; and secondly helping local and devolved authorities leverage economic growth through investment in transport infrastructure to support the levelling up agenda.	We enable new solutions to meet the challenge of population growth, decaying infrastructure, interconnectivity, climate change, need for higher productivity and a fundamental demand for environmental, societal and political change.

In addition we also make a positive contribution to the following goals through the responsible and sustainable practices of our people:





INTEGRATING OUR RESPONSIBLE BUSINESS COMMITMENTS WITH ESG

# Listening to our stakeholders is a business imperative and is key to us being a leading, responsible business.

By understanding the issues that matter most to our people, clients, and partners, we have created an ESG framework that sets out our shorter and longer-term goals and focuses on generating financial, environmental, and social value for all our stakeholders.

### Further information

On how we determine materiality of ESG topics and engage with our stakeholders can be found later in this report.



Read more / [page 25](#)

## Our ESG framework



### Environment

NET ZERO CARBON BY 2035

ELIMINATING WASTE THROUGH CIRCULAR THINKING

ENHANCING BIODIVERSITY AND NATURAL CAPITAL

#### 2030 GOALS

Carbon net zero by 2035 at the latest

Eliminate waste through an active role in the circular economy

Net positive biodiversity impact and increased natural capital



Read more / [page 07](#)



### Social

PRIORITISING THE SAFETY OF THE PUBLIC AND OUR COLLEAGUES

INCLUSIVE AND ACCESSIBLE TO ALL

ENABLING PEOPLE TO BE AT THEIR BEST

COMMUNITY AND CUSTOMER FOCUSED TO DELIVER SOCIAL VALUE



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### Governance

TRANSPARENCY IN OUR REPORTING

ETHICAL CONDUCT

RESPONSIBLE PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

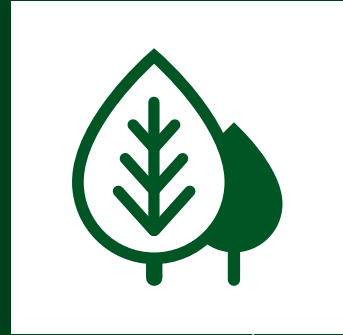


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Our alignment to the UN Sustainable Development Goals (SDGs) has delivered enhanced shareholder value

Recognised as a champion for human rights

Spend £1bn in the 2020s with VCSEs and small businesses



# Environment

**We are taking action today to tackle the environmental challenges facing our planet, ensuring we safeguard its future for generations to come.**

Our climate change action plan outlines the steps that we will take to ensure that we meet our target to be net zero by 2035.

We are focused on creating a more sustainable world by identifying opportunities to eliminate waste from our operations by adopting circular economy principles.

We are committed to helping nature flourish and are working to achieve biodiversity net-gain on our projects, contributing to a nature-based recovery.

## Our environmental commitments:

Carbon net zero by 2035 at the latest

Eliminating waste through circular thinking

Enhancing biodiversity and natural capital



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TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

# Addressing climate change is the biggest challenge of the 21st century and businesses, society and government all have a significant part to play.

We have set an ambition to lead UK infrastructure into a zero-carbon future by supporting the Government in meeting their 2050 target and being a net zero carbon business ourselves by 2035 at the latest.

Our aim is to be a clean growth leader, enabling the uptake of low carbon solutions such as hydrogen and connected and autonomous mobility, areas we are currently actively working.

To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities, the Financial Stability Board established an industry-led task force: the Task Force on Climate-related Financial Disclosures (TCFD).

The Task Force made recommendations fundamentally asking businesses to make transparent and consistent disclosures of climate risks and opportunities. These recommendations are structured under four pillars:

- Governance
- Risk management
- Strategy
- Metrics and targets.

In 2020 we committed to work towards compliance with the TCFD recommendations and are pleased to share our progress in the following pages (P8-12). We will continue to make progress on this highly complex topic and as such our disclosures in future years will reflect our positive progression.

**Costain's TCFD timeline**

- 2019 Costain approves its net zero by 2035 objective and climate change action plan
- 2020 Costain commits to work towards compliance with TCFD recommendations and is certified PAS2080 compliant
- 2021 Committed to attaining science-based targets for carbon and nature
- 2022 Climate change is elevated to a principal risk.



## CLIMATE RELATED GOVERNANCE

Corporate governance is central to Costain's responsible and value-oriented management and Board oversight activities. Currently, the Board and Executive Board have overall accountability for ESG-related activities and for ensuring that policies and strategies are aligned with the wider business objectives. The Board sets and oversees Costain's strategic priorities and monitors the implementation of the Group strategy, which includes the Climate change action plan.

The Executive Board are responsible for the management of strategic risks and opportunities and monitoring the progress of Costain's climate change action plan, ensuring that the necessary resources are available. During 2021 climate change, decarbonisation and carbon management were discussed in 54% of Board meetings and in 82% of Executive Board meetings.

In 2021 a TCFD working group was formed in recognition of the complex interfaces of climate change within the Costain business, including the markets it operates in, the solutions it provides and the risk it poses to future operations.

The TCFD working group meet regularly and is chaired by the Costain chief financial officer. The TCFD working group provide quarterly updates to the Executive Board. The graphic on this page shows the relationship of the TCFD working group and its interface with the business and the Board.

Operational risk and opportunities are managed by the divisional leadership teams, taking a market/ client-based approach to these matters.

The Executive Safety, Health and Environmental (SHE) committee are responsible for the delivery of Costain's climate change action plan. The SHE committee meets monthly and reports progress to the Executive Board on a monthly basis.

The Risk and Audit Committee meet every six months and are responsible for supporting the Board in its responsibilities with respect to climate change. In 2021 the committee considered the elevation of climate change to become a principal risk.





TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

# Strategy

## Changing market

Infrastructure is adapting to meet dramatically changing needs driven by climate change, population growth and the need for economic and environmental resilience. There are huge opportunities to update, connect and integrate our infrastructure ecosystem to create a better future. Doing this requires a new kind of company which brings together a unique mix of experts across construction, consulting and digital. Everything that we do is rooted in delivery and organised around our clients, anticipating and solving their challenges.

## Market opportunities

A review of our strategy and business plans in 2021 focussed on planning for our future, our client's future, and the future of the planet. We reconfirmed our commitment to our existing markets and in doing so identified risks and opportunities associated with climate and environmental changes. (more information on some of these risks and opportunities are in the table).

People and our planet will be at the heart of our future strategies, and we recognise the importance of digital, innovative solutions in the future of Costain as we help create low carbon infrastructure solutions with and for our clients.

## Decarbonising our society

To take advantage of our market opportunities and to ensure we remain competitive, we are decarbonising our operations and the solutions we provide our clients and positioning ourselves to help engineer climate resilient and inclusive solutions that support a just transition. In 2019 the Board of Costain approved a climate change action plan which sets out how Costain will become a net zero carbon business by 2035 at the latest. Costain continues to innovate and work with clients and the supply chain to shape and deliver low carbon alternatives and establish the new industry norm. The business is acting today as it continues to innovate for tomorrow, leading the way to a net zero UK.

### Our ambitious climate change action plan sets out the actions we need to take and the milestones we need to achieve to be net zero carbon business by 2035 at the latest. This means:

- All operations, including supply chain, will be net zero carbon by 2035 at the latest against our 2020 baseline.
- By 2023, every solution delivered by Costain for clients will propose low carbon options.
- Corporate emissions from car fleets will be net zero carbon by 2030.
- Our permanent offices will be supplied by carbon neutral energy by 2022.

The following table provides material climate-related risks and opportunities that have been identified.

TIME HORIZON	TYPE	RISKS	OPPORTUNITIES
Short (0 to 5 years)	Physical	<ul style="list-style-type: none"> <li>• Significant variance in potential productivity loss across current operational geographies.</li> <li>• Potential damage to assets, site and materials from extreme weather events.</li> <li>• Possible delays in delivery of materials to site, and therefore project completion dates.</li> </ul>	<ul style="list-style-type: none"> <li>• To further the health and safety agenda to better understand and protect the safety of Costain's staff with relation to extreme heat.</li> <li>• Opportunity to consider more diverse and sustainable alternatives to materials vulnerable to extreme heat.</li> </ul>
	Transitional	<ul style="list-style-type: none"> <li>• Breadth of policy ambition and uncertainty in delivery.</li> <li>• By not reducing carbon exposure now, Costain will be at risk of increased costs, particularly with materials. This is also poses a reputational risk.</li> </ul>	<ul style="list-style-type: none"> <li>• Providing support to the UK Government's green agenda.</li> <li>• Opportunity for Costain to become an industry leader in the low carbon transition.</li> </ul>
	Market	<ul style="list-style-type: none"> <li>• Value for money – all clients across all our markets comment on the need for them to provide greener, natural, decarbonised solutions, while not seeing increases in funding.</li> <li>• Changing priorities and public perceptions, two examples in the transportation market are HS2 and Smart Motorways, both projects have seen changes in their funding and priorities, as well as receiving negative public impressions.</li> </ul>	<ul style="list-style-type: none"> <li>• Our construction projects look to drive efficiencies, reducing environmental and social impacts through innovative solutions, such as production thinking.</li> <li>• Growth in climate related infrastructure projects within the water industry, such as Thames Tideway, resulting in improving lives, cleaning up rivers and reducing pollution.</li> <li>• We provide advice and support to our utilities clients who are continuing to provide existing supplies, while also gearing up for the transition to greener, decarbonised solutions and associated infrastructure.</li> </ul>
Medium (5 to 10 years)	Physical	<ul style="list-style-type: none"> <li>• Productivity losses may be realised as soon as 2030 depending on the scenario.</li> <li>• Compared with a baseline, climate heat effects may increase productivity loss up to 20x today's levels.</li> </ul>	<ul style="list-style-type: none"> <li>• Offer improved flexibility for on-site staff affected by extreme weather events.</li> </ul>
	Transitional	<ul style="list-style-type: none"> <li>• Likely increase in cost of carbon intensive materials due to policy pressure.</li> <li>• Decreased revenues due to reduced demand for products and services if still using carbon intensive products due to carbon pricing.</li> <li>• A green skills gap could potentially limit the pace of transition.</li> </ul>	<ul style="list-style-type: none"> <li>• Act as a resource in constructing more resilient infrastructure to deal with future climate trends.</li> <li>• Opportunity to roll-out greener fleet vehicles to reduce carbon emissions.</li> </ul>
	Market	<ul style="list-style-type: none"> <li>• Our defence client's biggest risk in the medium-term is not being able to keep up with the speed of innovation, while balancing decarbonisation objectives and reductions in funding.</li> <li>• Current infrastructure is not ready for the UKs move to greener energy. Investment is needed in electric vehicle charging infrastructure and updates needed for the production and movement of hydrogen.</li> </ul>	<ul style="list-style-type: none"> <li>• Across all markets we must use our networks to leverage local supply chains, reducing impacts and costs. This could also increase our social value through employment and upskilling.</li> <li>• In rail, line electrification works will help to provide greener train, along with digital railway solutions.</li> <li>• We can further help to improve local social value through advisory roles within local and central governments on the creation of local infrastructure hubs.</li> <li>• Costain has already made great contributions in the South Wales Industrial Cluster (SWIC) and can continue to build on this through SWIC and other industrial clusters.</li> <li>• We will continue to advise and lead our clients in the transition of our energy supplies.</li> </ul>
Long (10 years +)	Physical	<ul style="list-style-type: none"> <li>• Reputational risk of not addressing health and safety concerns of on-site staff working in increased heat.</li> <li>• Increased productivity losses.</li> </ul>	<ul style="list-style-type: none"> <li>• Planning staff and asset mitigation to negate the bigger risks, including considering business continuity for employees impacted at home/ route to work.</li> </ul>
	Transitional	<ul style="list-style-type: none"> <li>• Decreased revenues due to reduced demand for products and services if still using carbon intensive products due to carbon pricing.</li> </ul>	<ul style="list-style-type: none"> <li>• Decarbonisation targets such as the UK and EU targets create opportunities for Costain.</li> </ul>
	Market	<ul style="list-style-type: none"> <li>• The UK has committed to achieving net zero carbon emissions by 2050</li> <li>• Our water clients predict that affordability challenges will continue and perhaps become stricter as we move out of AMP7 and into AMP8, with the industry committing to net zero by 2030 without providing additional funding.</li> </ul>	<ul style="list-style-type: none"> <li>• To achieve the UK's net zero targets the decarbonisation of road freight is required, which could see government funding in the region of £150bn.</li> <li>• Further government investment of c£1bn is available to support the 10 point plan.</li> <li>• The defence market must start to decarbonisation and optimise it's assets.</li> <li>• To meet the challenges of our water clients we must continue to share the benefits of digital twinning and asset optimisation, and provide research and advice into natural alternatives in the treatment of water.</li> </ul>



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

# Risk management

## Approach to identifying our principal risks

Costain’s existing risk management is designed to identify, prioritise and manage risks and opportunities. Risks are identified both top down from the Group strategy and bottom up from the major projects, programmes, joint ventures and ongoing business as usual operational activities. These are then escalated or consolidated (as appropriate) and assessed based on a consistent methodology to identify and prioritise those that could threaten the achievement of the Group’s strategic priorities.

## Top-down review

All principal risks are integrated with our strategic priorities. These are reviewed by the Executive Board members at various times throughout the year, for example at executive strategy, work winning, finance, and health and safety meetings. A formal bi-annual review of risks by the Executive Board is aligned to half year and year-end reporting. Each principal risk is owned by a member of the Executive

Board. Discussions are held with the owners to update the risk status and review progress of response actions together with any supporting metrics to review their effectiveness.

Emergent risks are reviewed and assessed by a Risk Committee with nominated members from the Executive Board and the Group risk manager. The Risk Committee meet, four times a year and in 2021 climate change and decarbonisation were discussed at each meeting.

## Bottom-up review

Risk management is embedded at all levels of the business. Sectors, functions, major programmes, projects and operations ensure that their risks can be effectively managed within their boundaries. If additional support or assistance is required, the risk is escalated to the next management level, up to executive level where appropriate.

Risk dashboards are updated and reviewed at the various levels within Costain’s business to determine the current risk position such as any

changes in risk description, their causes, the impact statements and importantly to assess the progress of the mitigating activities. The flow of risk within our risk management process is illustrated in the diagram below.

## Risk appetite

Risk appetite, which defines the level and types of risk we are willing to accept, has been considered by the Board in 2021. We have a zero tolerance to harm (physical or mental) to individuals.

## Governance

The Board is responsible for defining risk appetite and determining the nature and extent of the principal risks the Company is willing to take to achieve its long-term strategic objectives. On behalf of the Board, the Audit Committee each year reviews the effectiveness of the Company’s risk management and internal control systems. The process for doing this is set out in the Audit Committee Report in our Annual report (pages 82 to 85).

To undertake a robust assessment of the risks which could threaten the business objectives, performance, solvency or liquidity of Costain, the Board undertakes reviews of our principal risks and mitigation plans during the year to ensure they are well understood and actively managed to reduce the potential impact.

Our principal risks are owned by Executive Board members, formally reviewed and approved by the Executive Board twice-yearly in line with mid-year and year-end reporting.

Additionally, the Risk Committee meets four times a year to consider the principal risks and to review and assess emergent risks, and a monthly risk and assurance meeting monitors the ongoing risk management activity throughout the business.

## Elevating climate resilience to a principal risk

Our risk profile continues to evolve and change. Although overall our principal risks have in majority remained consistent, the areas of emphasis within each one adapts as the risks to the business change. In 2021, recognising the increasing prevalence of climate change events both in the UK and across the world, we have elevated our emergent risk to a principal risk.

Climate change is increasing the number of unforeseen weather events (flooding, drought, storms). These events bring about ‘physical risks’ that impact our society directly and have the potential to affect the economy. Significant changes are needed in the infrastructure of the country to be able to meet the demands of climate change, which presents an opportunity for Costain with existing key customers. To realise this opportunity Costain must first ensure that has achieved its own net zero carbon objective and is able to operate in a way that supports

## SCENARIO ANALYSIS

In 2021, Costain commissioned Anthesis to undertake a climate risk materiality assessment of the business. Within this, Costain considered an array of differing climate risks and opportunities to understand what is most material to the business. Members of Costain’s senior management team proactively engaged in climate related workshops with Anthesis, discussing the relevance of both physical and transitional climate matters and contextualising these in understanding what risks these presented to different parts of the business including Costain’s assets, upstream and downstream supply chain, and its people.

The assessment then prioritised the key business areas with the greatest potential climate-risk exposure based on consideration of factors including project locations, pipeline, Costain’s growth plan, and supply chain resilience. These climate-related risks were then taken forward to scenario analysis, acknowledging that there is opportunity to explore other aspects in the future.



## Risks assessed include:

- Extreme heat and the impact this could have on workforce productivity.
- Carbon taxation and the impact this could have on the cost of raw materials.

Looking ahead, it is Costain’s ambition to expand this initial analysis beyond productivity and material pricing to cover further potential risks and opportunities, for example those relating to technology, alternative materials and other aspects.

Costain’s current climate risk assessment methodology assesses the risks and opportunities the business may face in 2030 and 2050. Given Costain’s ambition to support the UK in achieving a low carbon economy, these timelines resonated with Costain’s business ambitions as well as the ambitions of the economies Costain currently work within.

Three scenarios were used to assess Costain’s exposure to changes in chronic heat, these include: 2°C (RCP4.5°C Low), 2-4°C (RCP4.5°C High), and 4°C (RCP8.5°C). The results were based on IPCC global climate model scenarios for hotter vs. cooler worlds. Three scenarios were also used to assess Costain’s exposure to changes in carbon pricing, these included current policies, a net zero world in 2050, and a delayed transition.

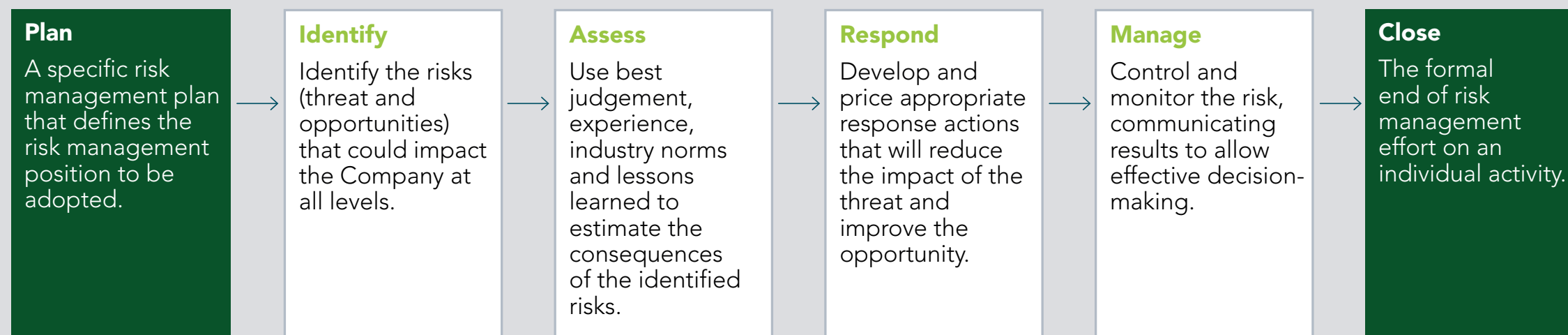
the environment and the green economy. Failure to understand the potential effects of climate change on the way we work could lead to unforeseen delays, increased costs as well as changes in the way the projects and programmes must be delivered.

The scenario analysis exercise (above) has shown that there is a growing uncertainty in the medium to long-term impact of climate change, and that improved Costain climate performance data is required to fully understand the magnitude of these risks, not only as a new principal risk, but the impact of climate change on existing principal risks.

Furthermore, this scenario analysis is a pilot of just two climate risks, in reality climate change will impact businesses in a multitude of ways, i.e., compound risks, or cumulative climate risks happening in concurrence outside of existing business continuity, e.g., surface waterflooding impacts to employees’ homes even where they do not live in or close to a flood zone, associated power outages and the knock-on effects for being able to work.

## Risk management process

There is continuous consultation between the top-down and bottom-up reviews to ensure consistency and appropriate decision-making across the Group guided by our risk management process.





TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTINUED

# Metrics

## Monitoring our emissions

For over a decade Costain has monitored its social and environmental performance. Climate related KPIs have focussed on our Scope 1 and 2 emissions, however in 2021 for the first time we have reported our Scope 3 emissions.

In 2021 Costain committed to obtain science-based targets for carbon and biodiversity in 2022 to support the objective of being a net zero business by 2035 at the latest. These targets will be monitored and reported in future.

## Our performance in 2021

In 2021 our total absolute footprint increased by 52% year-on-year due to the significant increase in construction activity on our Highways contracts. This increase in activity also saw a significant increase in consumption of gas oil (+40%).

Our carbon intensity also increased year-on-year by 31% compared to 2020, due to an increase in construction activity.

Costain's absolute Scope 1 emissions increased by 35% compared to 2020 mainly due to the increase in gas oil consumption. The increase was in part offset with a 81% reduction in emissions from our company car footprint, achieved through working from home and reduced travel.

**88%**

Senior leaders have completed carbon training

As our Covid-confidence increased during the year, we saw a greater use of our offices and as such report a 15% increase in absolute Scope 2 emissions.

Due to the increase in construction activity on our Highways contracts, we have seen our material footprint significantly increase, although our steel consumption dropped, aggregate, concrete and asphalt all increased.

Our absolute fuel consumption has increased by 43% compared to 2020, however our use of Hydrotreated Vegetable Oil (HVO) fuel across a number of projects (subsequently mandated in 2022 across the Group) mitigated the potential increase in fuel consumption and associated emissions.

## Monitoring climate risks

In addition to emissions data the Costain Executive Board monitors the completion of carbon training of senior managers and employees. The consumption of traditional construction materials is also monitored with 2021 being used as a baseline for reduction targets.

Costain are working to improve the data available to monitor our risks and opportunities and this will be reflected in our future disclosures.

**54%**

Board meetings where climate-related matters were discussed



## Emissions intensity

(Metric tons of Co<sub>2</sub>e/£m)

	2021	2020
Total	42.97	32.77

Our emissions data is calculated in line with the GHG Protocol and is third party accredited under CEMARS by Achilles. 100% of our emissions are incurred in the UK.

## Scope 1 (All indirect emissions from the activities under our control)

Emission source	Metric tons of Co <sub>2</sub> e/year		
	2021	2020	% CHANGE
HVO fuel	327	0	N/A
Fuel (diesel, LPG and petrol)	4,668	2,831	65%
Gas oil	11,554	8,280	40%
Company cars	162	831	-81%
Natural gas	352	387	-9%
<b>Total</b>	<b>17,064</b>	<b>12,405</b>	<b>35%</b>

## Scope 2 (Indirect emissions from our purchased and used electricity)

Emission source	Energy		
	2021	2020	% CHANGE
Metric tons of Co <sub>2</sub> e/year	1,319	1,123	17%
KwH	5,655,702	4,393,012	28%

## Scope 3 (All other indirect emissions from our activities, occurring from sources we do not own or control.)

Emission source	Metric tons of Co <sub>2</sub> e/year		
	2021	2020	% CHANGE
Concrete	8,491	4,285	98%
Steel	3,650	982	271%
Aggregates	2,164	2,470	-12%
Asphalt	14,752	9,793	50%
Other	1,888	1,107	71%
<b>Total</b>	<b>30,945</b>	<b>18,637</b>	<b>66%</b>

# Antarctic Quest 21 climate change expedition



## Costain consultant Phil Carrotte followed in the footsteps of explorer Sir Ernest Shackleton, taking part in the Antarctic Quest 21 climate change expedition.

The expedition undertook critical scientific research into how climate change and microplastics are affecting the Antarctic continent. As expedition sponsors, Costain is supporting work that is vital to helping the planet achieve its net zero goals. British Army veteran and chartered engineer, Phil grew up in Wales and has been mountaineering for 30 years, taking part in expeditions across the globe.

The expedition collected snow samples from completely isolated and unvisited areas of the Peninsula to allow analysis of microplastics contamination. This project, in collaboration with Dr Imogen Napper of Plymouth University, is looking at the long-range atmospheric transport of microplastics.

Dr Napper explained, "Understanding exactly how far microplastics can travel is the next big scientific question and their presence in snow taken from the

Peninsula will show they are reaching every part of our planet, even those areas cut off from any human activity."

Their work will support Professor Michiel van den Broeke of Utrecht University, in his modelling of sea-level rise due to the melting icesheets in the Antarctic. Being able to predict how the icesheets are behaving is critical as the melting of Greenland and Antarctic icesheets would raise sea level by 60m.

The expedition also repaired a specialist GPS (Global Positioning System) antenna at Foyn Point which helps record the movement of bedrock through iso-static rebound. This movement is a sign of how much ice is melting due to global warming. Finding out what types of rock make up the Antarctic Peninsula and the importance of the Southern Ocean in the global carbon cycle are other areas of research for the expedition.



IMPLEMENTING OUR CLIMATE CHANGE ACTION PLAN

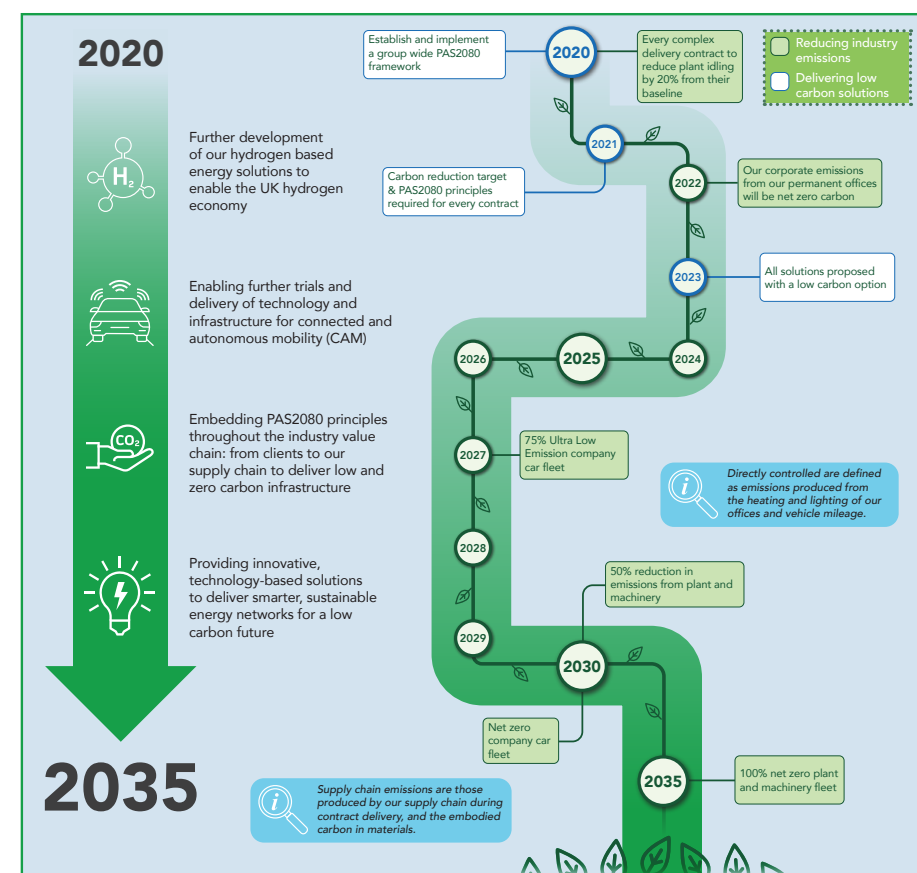
# Our route to net zero

In 2020 we launched our Climate Change Action Plan which outlines the steps we are taking to be a net zero organisation by 2035 at the very latest. Our plan is simple, we are decarbonising our own operations, our solutions for clients and helping the UK on its journey to net zero.

We have a clear plan which is delivering at pace, working collaboratively with our supply chain, government, and clients, and drawing on our digital and technology expertise to decarbonise infrastructure.

We have chosen to tackle our whole life cycle emissions and thus address emissions that do not sit in our direct footprint but fall within that of our clients and supply chain partners.

Since its launch, significant strides have been made and milestones achieved in our ambition to lead UK infrastructure to a zero-carbon future. We are pleased to report the following progress against our climate change road map below:



Since implementing our resource efficiency matrix in 2019 as a mandatory requirement for our contracts, over 50 initiatives from across our business have saved over 1.9mtCO<sub>2</sub>e and as result saved Costain and our clients over £51m. We use these case studies to share best practice across Costain and with our industry partners.

We achieved PAS2080 certification in 2020 and in 2021 completed two audits with BSI where zero non-conformances were identified.

Costain have been awarded CEMARS platinum following five years of being awarded CEMARS Gold by Achilles for our consistent greenhouse gas reduction achievements over the last 10 years.

We have introduced and completed an extensive training programme with more than 1,000 people completing our 'Leading Carbon at Costain' training sessions providing insight into climate change, industry impact and the growing pressure and opportunities to drive net zero and help decarbonise the UK. A further 3,000 online learning modules have also been completed.

### Progress in 2021

In line with our EV100 commitment, we launched our own Vehicle Fleet Transition Plan in 2020 towards which we are already making substantial progress on the journey of transitioning the whole car fleet (over 3,000 vehicles) to a 100% zero emission fleet, comprising 100% electric and hydrogen vehicles by 2030.

- Over 91% of our company car list is fully electric and hybrid vehicles
- 46% of our company car fleet is now made up of low emission vehicles

We reached our target of every construction contract establishing a plant idling baseline and reduction of 20% against their baseline. We are putting that data to good use in helping drive carbon conscious behavioural change.

We have mandated Hydrotreated Vegetable Oil (HVO) across our supply chain. This can achieve up to 90% reduction in emissions from our plant fleet and begins in January 2022

We became signatories of The Climate Pledge and were an official partner of the COP26 campaign:



Race to Zero. The Climate Pledge is the only initiative with the ambition to beat the 2050 target by achieving net zero by 2040 at the very latest. The Climate Pledge is also driving tangible action on all three greenhouse gas emission scopes, a key differentiator in Costain's Climate Change Action Plan.

### Looking ahead to 2022

Key actions we will be taking in 2022 include:

- Through our materials working group, we will be accelerating the up-take of low carbon materials and prioritising our focus on carbon intensive materials such as steel, concrete, aggregates and asphalt
- Introducing a new target for all relevant contracts to establish carbon baselines and have reduction plans aligned to PAS2080
- We will be stress testing our climate change action plan by seeking endorsement of science-based targets.



### SUSTAINABLE SOLUTIONS

As part of our climate change action plan, we committed to proposing at least one low carbon solution for every client by 2023.

The Thames Water Wroughton Reservoir team working on a maintenance scheme, seized the initiative to solve challenging engineering problems with sustainable solutions.

One simple example was changing a powered pump for a gravity fed system to reduce the level of the reservoir eliminating the need for diesel, cutting carbon, air pollution, noise and fuel spillage risk. This change eliminated over 200 days of diesel use and saved nearly 100 tCO<sub>2</sub>e.

The team also made a considerable effort to deliver a net-gain in biodiversity by reducing their impacts and enhancing the habitat on the site. The team worked closely with Thames Water to limit the number of large trees removed; used coir matting to encourage the creation of reed beds; increased the length of hedgerows through additional planting; and reinstated a large area with wildflower seed. This resulted in a net-gain in biodiversity and demonstrated what can be achieved when attention is given to these important issues alongside engineering priorities.



Find out more / [www.Costain.com](http://www.Costain.com)



ELIMINATE WASTE THROUGH CIRCULAR THINKING

**We deliver sustainable solutions by adopting circular economy principles to deliver resource efficiency.**

**With a growing population and depletion of the planet's natural resources, we are committed to eliminating waste from our operations.**

To eliminate waste, we follow the principles of the Routemap for Zero Avoidable Waste in Construction, working with our design partners to reuse existing assets, design out waste, design for deconstruction and utilise secondary/ recycled materials. We also work with our supply chain to identify opportunities to use materials in a circular fashion, such as packaging and protection that can be either eliminated or returned for reuse.

These actions are aligned to our Climate Change Action Plan and the objectives of our PAS2080 accreditation (Carbon Management in Infrastructure), whereby our ultimate objective is to deliver solutions that optimise existing assets and build less or nothing.

By designing out waste and employing circular thinking we have diverted over 95% of our waste from landfill for the last six years and achieved >98% in 2021. We have made good progress, but we appreciate there is much to be done to achieve zero construction waste.

**>98%**

**waste diverted from landfill**

**50%**

**reduction in waste since 2014**

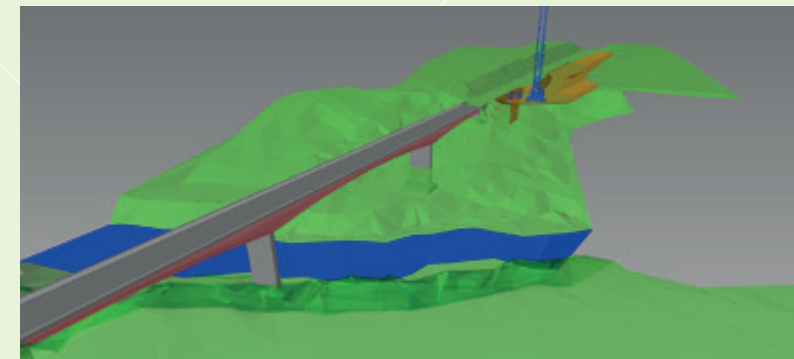
We are also exploring new metrics and will further improve the quality of our data to identify opportunities to eliminate waste. By measuring the quantity of construction waste produced, normalised by turnover we have a useful indicator of avoidable waste. This indicator has also been positive showing over 30% reduction since 2016. We are also using cost and carbon data to further drive efficiency and waste reduction.

In 2019, we introduced 'WiiSE by Design' training for our designers and in 2021 we expanded this to our supply chain including our design partners. The course covers the circular economy and carbon reduction, providing our suppliers with a clear understanding of circular economy principles. This will enable them to identify opportunities at a point in the processes where the greatest impact can be achieved on permanent and temporary works design.

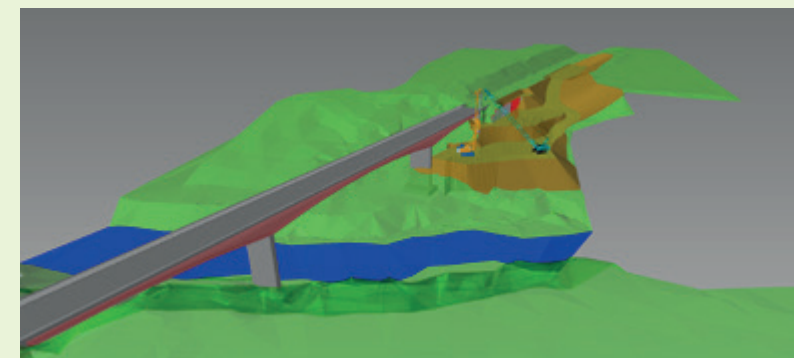
We have used BIM models to identify clashes in design and minimise rework and waste and understand that the data held in the BIM Model/ digital twin will be a key requirement to achieving circularity and the reuse of materials without energy intensive processing and recycling in the future.



**A1 MORPETH TO ELLINGHAM USING BIM TO DRIVE OUR WASTE AND CARBON**



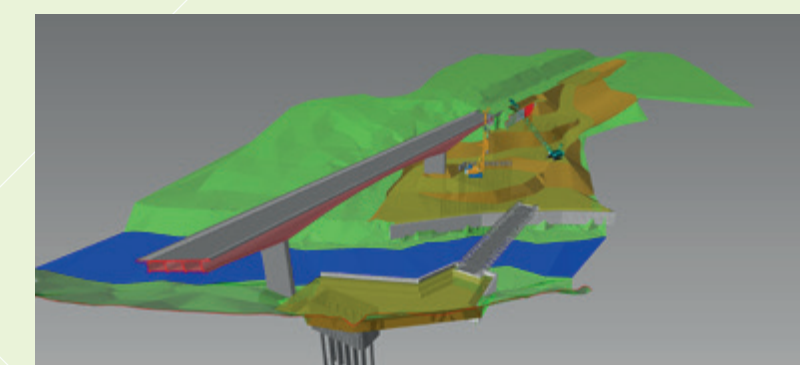
During the design and planning of the A1 Morpeth to Ellingham scheme, circular economy principles have formed a key part of driving efficiencies within the construction phasing.



The use of Building Information Modelling (BIM) in planning the construction of a new 208m span bridge over the steep sided River Coquet valley allowed the relationship between the complex temporary works and the permanent design to be fully understood.

The Development of 3D temporary works models demonstrated the need to re-sequence the previously inefficient construction phasing. This allowed for a very significant reduction in the use of temporary works materials and the incorporation of temporary works within the permanent works design.

This has eliminated 21,000 tonnes of temporary fill material which would have become waste, and 1380 material delivery movements which would have consumed approx. 45,000 litres of fuel.



Total carbon savings of 117tCO<sub>2</sub>e have been achieved, in this the first two phases of six in total, alongside significant time and cost benefits.



**DESIGNING TO RETAIN RATHER THAN REBUILD**

**On the National Highways A1 Scotswood to North Brunton scheme at stage three design, 12 gantries were set to be removed and replaced with 18 new superspan cantilever gantries.**

At an early stage the team sought to retain the existing structures if they could meet the functional requirements. This meant assessing the gantries' design life, wind loading due to larger signs, headroom, and impact loading. The team's hard work enabled them to demonstrate that the gantries could meet the performance criteria and not need replacing.

By eliminating the need for new structures considerable associated works were also unnecessary, such as piled foundations, waste removal of approximately 642m<sup>3</sup>, ground treatment and earthworks, which resulted in a saving of approximately 1,743 tCO<sub>2</sub>e.



Find out more / [www.Costain.com](http://www.Costain.com)



ENHANCING BIODIVERSITY AND NATURAL CAPITAL

## Protecting the environment

Our environmental management system is certified to 14001 (2015) and sets the framework for environmental performance and reducing our impact on the environment. Some of our contracts require the delivery of large-scale complex infrastructure projects in sensitive environments and we are relentless in our approach to minimising any impact during these works.

Through our eliminating harm initiative and training over the last two years we have sought to eliminate impacts at the earliest stage of the project life cycle. As we have become involved earlier in this process we have also had greater influence on project environmental outcomes, enabling us to drive efficiencies which reduce land take and biodiversity impacts, waste, materials and carbon.

For example, the Costain construction planning team have been working together with Arup, WSP, Atkins, Jacobs, Sener and Blackwell on HS2 Phase 2A. The team were challenged to reduce the volume of earthworks material produced along with the associated impacts of moving the excavated material on site and on the public road network, primarily to reduce carbon, noise, air pollution and congestion. The team were able to amend the vertical alignment of the railway as well as the distance material needed to be moved, which resulted in a very significant carbon saving of approximately 7,000tCO<sub>2</sub>e, which is equivalent to approximately 4,550 homes, electrical consumption for one year.

To help foster a more environmentally aware culture we held two Leadership Impact Days focused on environmental performance improvement. Led by our CEO and senior leaders, the events required the entire company to stop and consider a specific area for improvement. In 2021, we focused on covering the following topics: carbon reduction, and natural capital and biodiversity.

We reflected on our achievements to date, and contracts and staff reviewed their roles to identify what changes could be made going forward to improve their performance in these two critical areas.

We have continued to work on the environmental engagement of our own staff and the supply chain working on our projects to identify and reduce risks. In 2021, we saw another significant improvement in our calculated environmental engagement ratio, which has increased by over 90% since 2016. The environment engagement ratio is a calculation based on a rolling three months of reported environmental hazards, observations and close calls x 100,000 hours, normalised the number of hours worked. We also re-baselined out targets for 2021 to increase standards across all projects.

We have seen a direct correlation between the increase in engagement and the decrease in number of incidents, and in 2021 we are pleased to report a 16% reduction in the environmental incident frequency rate (EIFR) compared to 2016.

Significant incidents have decreased by 67% since 2016 and there have been no major incidents for the last 7 years.

We are not satisfied with this performance and continue to work to drive down any events that impact the environment through training, improving systems and stronger assurance processes.

**Projects achieving blue or green environmental engagement ratio**

81%

**Major environmental incidents**

Zero

**Environmental Incident Frequency Rate (EIFR)**

0.16 (2020:0.14)

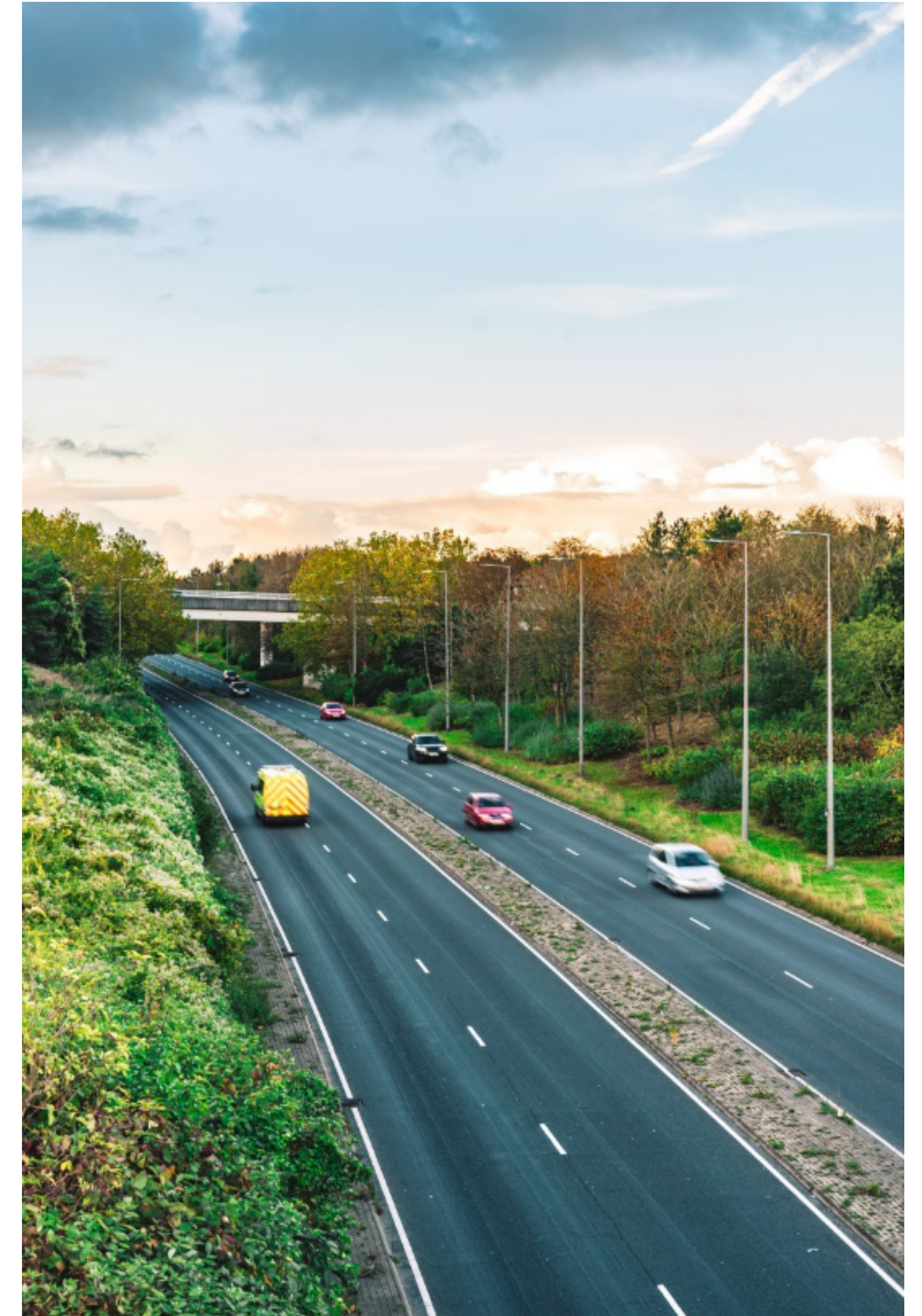
**Significant incidents have decreased**

40%

**over the last 5 years**



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ENHANCING BIODIVERSITY AND NATURAL CAPITAL CONTINUED

## Becoming Nature Positive

Nature is in crisis, placing human and planetary health at risk, and during 2021 this was brought front and centre of attention, culminating with inclusion within the Glasgow Climate Pact at COP26. We are dedicated to protecting and enhancing nature through our commitment to achieve biodiversity net-gain on all our projects to contribute to a nature-based recovery.

In 2019 we started the process of measuring biodiversity impact on our projects, and in 2021 all our large projects measured biodiversity impacts and worked with our clients towards achieving net-gain. In 2022, we have raised the bar for all projects to achieve a net-gain of at least 10%. This is in advance of the same requirements being implemented across development projects within the Environment Act, 2021.

We have also continued to develop our digital tools to assist in measuring and modelling biodiversity on our projects to help us quantify impacts and run scenarios to best compensate for losses. These tools also allow us to identify the effects on natural capital from the works. The concept of Natural Capital, which allows for better understanding of the value of the services provided by the natural environment is now fast gaining traction.

Our two leadership impact days in 2021 focused on carbon reduction and natural capital enhancements. These Company-wide events provided an opportunity to raise the profile of the two topics and stimulate a change in culture and the way we value nature within project delivery.

In 2021 we signed up to support Get Nature Positive, an initiative created by the Council for Sustainable Business (CSB), to stimulate action even in the face of incomplete data and metrics. We also committed to working towards setting a science-based target for nature and will undertake and assess our impacts and dependencies on nature by conducting a materiality and value chain assessment, as the first part of this important work. This will enable us to understand and minimise our direct and indirect impacts.



### Contracts measuring natural capital and biodiversity impact

15



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### NET GAIN IN CORNWALL

We are delivering the £330m A30 Chiverton to Carland Cross scheme for National Highways. The scheme upgrades the existing A30 single carriageway to dual carriageway to reduce congestion and unlock growth in Cornwall.

In accordance with Cornwall's Planning for Biodiversity and Net-Gain Supplementary Planning Document, the biodiversity impact of the scheme must be quantified, and a 10% net gain must be achieved.

Currently the A30 project is predicted to achieve an increase in biodiversity of over 22%. The onsite baseline was 595 habitat units and onsite post intervention once landscaping is completed is 729 habitat units, resulting in a net gain of 134 habitat units. Much of this biodiversity net-gain is from the expansion of grassland habitats, however, the enhancement of woodland and forests, heathland and shrubs, grassland and retaining lakes and ponds has also contributed to the significant net-gain. Other key actions that contribute to net-gain and the protection of natural environment include:

- The provision of 33 new culverts and wildlife crossings. These are as near as practicable to known badger paths, bat and otter crossing points and will be installed to help guide badgers, otters, and other species to the tunnels and away from the highway.
- The construction of three green bridges including one at Marazanvose, will act as mitigation for bats and mammals crossing the scheme and they were designed to retain as many of

the existing trees as possible. The Northern green bridge ramp is designed in a shallow eastward arc shape to retain the lane-side oak trees as a valued landscape element and as bat foraging and commuting habitat leading up to the green bridge.

- The installation of bat boxes at locations across the site. Including a purpose-built bat roost being built to replace an existing stone barn. Ten different types of bat have been identified across the area of the scheme.
- The translocation of 0.42 hectares of lowland heathland. This includes the relocation of all reptiles found in the heathland, including adders, slow-worms, grass snakes, and common lizards, to a new location approved by Cornwall Council.

The Costain team on the A30 will continue to deliver biodiversity net-gain and are actively seeking additional opportunities to increase the biodiversity, habitat, and wildlife potential of the A30 Chiverton to Carland Cross scheme.





# Social

**Being a responsible business is not just about delivering a sustainable product or service, it is also considering the social impact of how we operate and the impact that this has on all stakeholders.**

We are committed to always prioritising the safety of our colleagues and members of the public, enabling our people to be at their best and being inclusive and accessible to all.

Providing a high standard of service to the customers of our clients is vitally important to us, as is respecting our neighbours and local communities. Being a responsible business is not just about how we operate, it encompasses the legacy and value we create. We use the UK Government's social value model as guiding principles to help us to tackle the most important societal challenges and to drive continuous improvement.

## Our commitments:

**Prioritising the safety of the public and our colleagues**

**Being Inclusive and accessible to all**

**Enabling people to be at their best**

**Community and customer focused to deliver social value**



### Social

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PRIORITISING THE SAFETY OF THE PUBLIC AND OUR COLLEAGUES

**Protecting our workforce, members of the public and our wider stakeholders is a priority for us. Our 'eliminating harm' approach demonstrates our ambition to remove the risk of harm from all our activities wherever possible.**

Our certification to ISO 45001, ensures we maintain an internationally respected management system with operational management supported by our senior leadership who take full ownership of the agenda. Risk is identified at the earliest stages of our processes and, wherever possible, eliminated through design, workload planning or from the environmental design of workplaces.

In 2021, the COVID-19 pandemic continued to test our resolve, agility, and strength of leadership. We maintained consistent messaging aligned with government guidance as a minimum standard throughout. As restrictions lifted towards the end of 2021, Costain kept higher standards in place to reassure the workforce who had confidence in our controls and to keep our workplaces COVID secure.

Our indicators show that workforce engagement is high and injury rates low, continuing our long-term downward trend. We are pleased to report another industry leading AFR (Accident Frequency Rate) of 0.05 and while our Lost Time Injury Rate (LTIR) of 0.15 in 2021 shows a slight increase, the long-term

trend is still downward. During 2021 30 million hours were worked across our operations.

Leadership and understanding behaviours are key to creating a positive safety, health, and environment (SHE) culture. We have delivered innovative and interactive leadership training to build in the principles of 'mindful organisations' to all senior leaders' thinking. We introduced a more diverse but equally powerful version, supported by the Institution for Occupational Safety and Health (IOSH) for middle managers, supporting the key messages delivered to leadership.

In 2021, we extended our 'WiiSE' by design education programme to our design partners and members of our strategic supply chain to develop relationships, enhance messaging and widen cross-discipline possibilities. The course

reviews the key principles and actions required to eliminate wellbeing, safety, carbon, and environment related hazards while promoting sustainable solutions within the design process to benefit current and future stakeholders.

Engagement with the design community is fundamental to de-risking our business and our outputs. We gather the best eliminating harm examples and present them through a digital showcase for all to see and implement as appropriate. The culmination of this plus our focus on enablers and leading indicators to drive the right behaviours, increasing workforce engagement and utilisation of leading metrics, has resulted in our all-accident injury frequency rate reducing by more than 50% over the past five years while our total operational workforce size (including suppliers) has increased.

Lost Time Injury Rate (LTIR) of

**0.15** 2020: 0.15

Reportable accidents

**16** 2020: 10

Hours worked in 2021

**30 million** 2020: 31 million



**MAKING THE RIGHT DECISIONS FOR OUR TEAMS**

Following business-wide engagement, evaluation of UK and business infection rates, and consideration of the government guidance, we decided to maintain our Covid-19 safety measures until the end of 2021.

This decision ensured that we continued to be an inclusive business, being safe for all, taking into account the varying individual preferences and health concerns and to ensure that we continued to protect all of our workforce as we headed into the uncertain winter season.

**85%**

**of respondents agreed that Costain has taken the right steps to secure safety and wellbeing when on site or in an office**



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INCLUSIVE AND ACCESSIBLE TO ALL

The COVID-19 pandemic presented an opportunity to become more inclusive and accessible. By embracing technology for remote working, we became more agile, with our jobs and personal lives colliding.



We accelerated our dynamic working approach and empowered our teams to make decisions on their working patterns, allowing individuals to manage their work around parenting and caring responsibilities, health conditions, disabilities, and professional development opportunities.



National Inclusion Week

We celebrated National Inclusion Week by launching our 2021 Inclusion strategy and holding employee events over the course of the week.

Our religion, ethnicity and cultural heritage (REACH) Network held the conversation 'Unite for anti-racism' to discuss the effect of the pandemic on different ethnic groups, and the outburst of racism we have seen as a result of the pandemic.

Employee Networks were joined by Emily Muskett, Team GB weightlifter, for 'Equality and Unity – the Sports Edition', a panel discussion about diversity in sport. The talk covered diversity in the Olympics, the Paralympics, the aftermath of the European Championship football and next year's Commonwealth Games.

Our final session focused on showcasing how Costain is leading Inclusive Design. For more details see page 22.

Driving the strategy

We launched our 2021 Inclusion strategy to help achieve our goal of having a workforce which is representative of the communities in which we operate by 2030.

We believe our employee networks are integral to supporting and educating our colleagues across the spectrum of diversity and continue to drive change. In 2021, we launched our Disability and Wellbeing (DaWN) and Services and services families networks and continued to grow our membership of our Women's, REACH, LGBT+ and allies and Parenting and Carers networks.

Externally recognised

We are proud to be named a Stonewall silver employer, a Disability Confident employer, a member of Working families and a Times Top 50 employer for women for the fourth consecutive year. We have been recognised externally, receiving a gold award from the Armed Forces covenant employee recognition scheme, a silver award in the Inclusive Employers standard and were named 'Large Employer of the Year 2021' at the Engineering Talent awards.

We have also committed to a number of pledges to visually demonstrate our commitment to inclusion and set a standard for the industry.

Continual improvement

We have developed an active allyship programme and trained over 100 senior leaders and works supervisors to be visible allies across the business. In 2021, we focused on improving psychological safety. This resulted in a significant improvement in ethnicity declarations within our HR system, reducing our percentage of "prefer not to say" from 50% in 2019 to 9% in 2021.

Following feedback from the business, we have clarified our workplace adjustments procedure, and developed tools for managers to aid discussions with reports going through miscarriage or IVF and other fertility treatments.

GIVING A FRESH PERSPECTIVE

Our 2024 goal is to have 5% BAME\* representation in our senior management teams, 14% in our management tier and 14% across our total population.

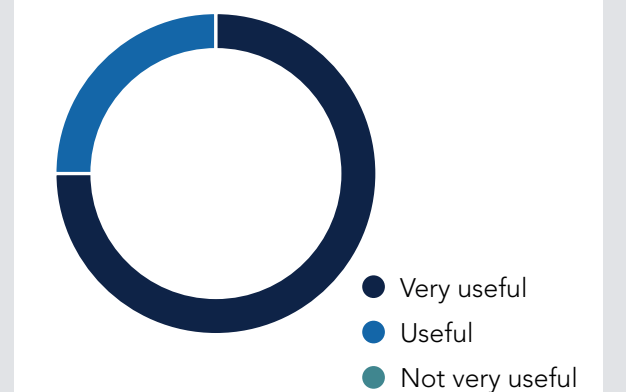
To help us achieve our aspiration and to ensure that diverse perspectives form part of the business decisions that we are making now, we launched an internal reverse mentoring programme.

The first cohort included twelve members of the religion, ethnicity and cultural heritage network paired with 12 senior leaders.

During the six-month programme, business leaders gained unique insights and heard first-hand experiences from their mentors of the challenges facing BAME employees. The programme also provided an opportunity to increase visibility for the mentors taking part.

The feedback from the programme was extremely positive with 75% of mentees stating that they felt the mentoring relationship had been very useful in terms of deepening their understanding of minority groups and their experiences at Costain and beyond. Due to the success of the programme, we will be running a second cohort in 2022 and opening it up to employees across our six employee networks.

How useful do you feel the mentoring relationship has been in terms of deepening your understanding of minority groups and their experiences at Costain and beyond?



"I now have a much clearer understanding of the nature and scale of the challenges Costain faces to become an organisation that is really diverse and where minority groups feel valued and rewarded."

\* We recognise that the term BAME (Black, Asian and Minority Ethnic) is not preferred by everyone. However, we use it here to refer to ethnic groups which are in the minority in the United Kingdom.

OUR PLEDGES



Find out more about our 2021 Inclusion Strategy / [www.Costain.com/our-culture/equality-diversity-and-inclusion/](http://www.Costain.com/our-culture/equality-diversity-and-inclusion/)



DIVERSITY AT COSTAIN

In the 2021 Costain Inclusion Strategy, we set a goal to have a workforce that is representative of the communities in which we operate.



GENDER PAY GAP

While our gender pay gap has increased this year, we are pragmatic about the reason and believe this is a consequence of taking longer-term action to address talent pipelines in Costain.

In 2021 Costain recruited over 1,000 people of which 27.7% were female, achieving an increase in women joining the Costain graduate scheme and taking part in development programmes.

With a notable increase in our female population at junior levels, our gender pay gap has increased despite our hard work to increase the diversity of our leadership roles. This year, we have seen our senior leadership population grow to 36% female from 31% in the previous year and we maintain gender balance on our Executive Board.



Read more / [www.Costain.com/our-culture/equality-diversity-and-inclusion/](http://www.Costain.com/our-culture/equality-diversity-and-inclusion/)

Diversity at Costain



10%

of colleagues shared that they have a disability or long-term health condition



6

employee inclusion networks



27%

female representation across Costain



12%

BAME representation across Costain



100%

increase in employee network membership



1%

of colleagues shared that they identify as LGBT+

Inclusive teams bring diversity of perspective to decision-making, ensuring that our solutions meet the diverse needs of our end users. It also helps us to create a psychologically safe workplace where people feel able to speak up with information, ideas, questions or concerns, without fear of discrimination as a result.

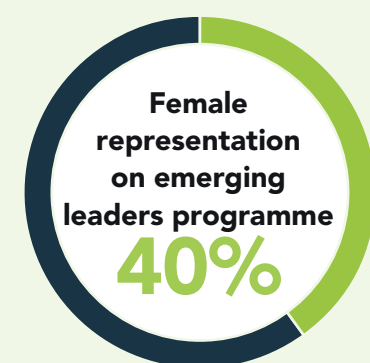
The increase in diversity of our people and the willingness to be allies to one another in the workplace has been demonstrated by the participation in our employee networks increasing two-fold from 2021 to 2022.

As part of our 2021 Inclusion strategy, we pledged to train 50 senior leaders to be visible senior allies across the business. We have achieved double our target and established active allies among our employees and our supply chain to create a safe space to challenge non-inclusive behaviour.

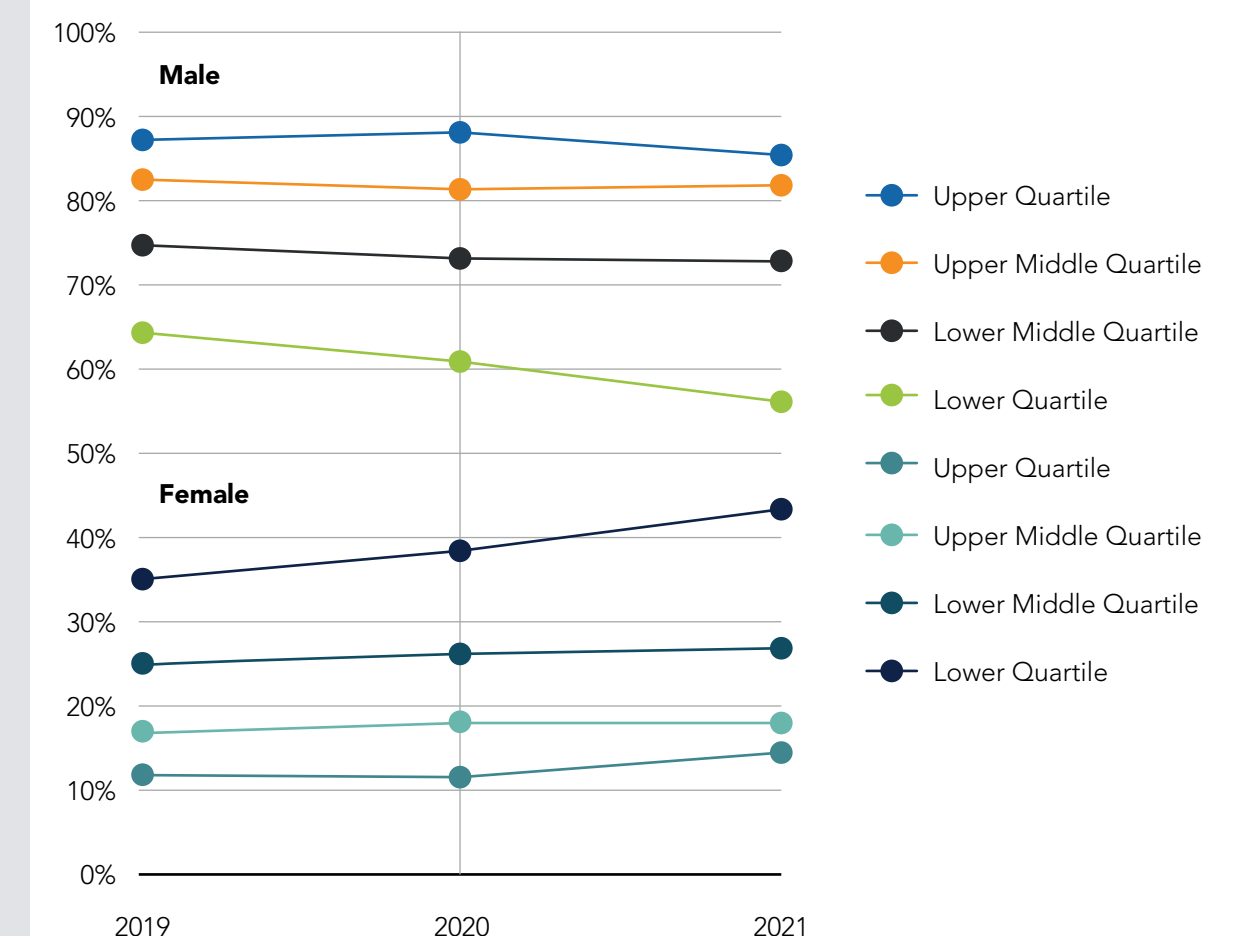
We have seen a steady increase in the number of women in the organisation. Since January 2021, we have seen the population of black, Asian and minority ethnicities in the UK in our workforce increase from 9.4% to 11.6%, meeting our 11% target for 2021, as set out in our strategy.

Female representation

Level	Actual 31 Dec 2020	Actual 31 Dec 2020 (Number)	Actual 31 Dec 2021	Actual 31 Dec 2021 (Number)	Actual 9 March 2022	Actual 9 March 2022 (Number)
Board	57%	4 of 7	38%	3 of 8	29%	2 of 7
Executive Board	50%	4 of 8	56%	5 of 9	50%	4 of 8
Senior management	30%	10 of 33	38%	11 of 29	41%	13 of 32



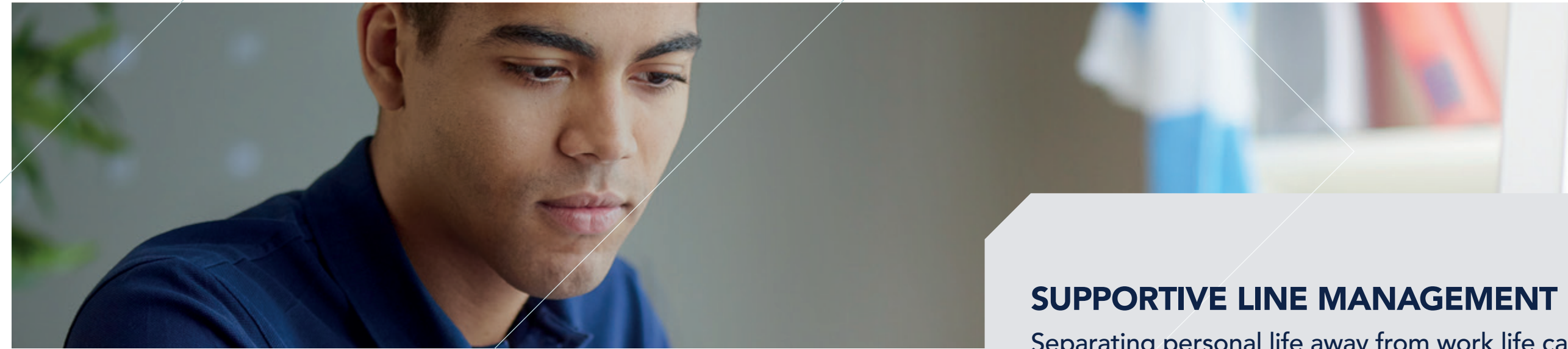
Salary Quartiles by Male and Female Split





ENABLING PEOPLE TO BE AT THEIR BEST

**We are incredibly proud of our teams and enabling every colleague to be at their best is a key focus for the business.**



We have circa 3,500 employees and a further 15,000 working in our supply chain, and we are committed to helping each one to fulfil their potential and be at their absolute best both mentally and physically every day. Being at our best means creating a healthy and happy workforce that feels safe, valued, respected and able to thrive.

**Wellbeing at the heart of everything**

Our Wellbeing, inclusion, innovation, Safety and Environment (WiiSE) strategy drives our imperative to ensure our teams are energised and working in an environment where they achieve a suitable and sustained work-life balance.

Our 'BeWell' plan incorporates occupational health and wellbeing into one combined drive at the heart of all we do from design through to operations. We are signatories to the Business in The Community (BITC) 'Mental Health at Work' commitment, which provides a framework to improve standards of mental health care among the workforce and our supply chain.

In 2021, we provided financial wellbeing sessions in collaboration with Mercer Marsh Benefits for our colleagues. The sessions were targeted at specific life stages and focussed on drawing the link between personal and financial wellbeing.

Our Wellbeing Steering Group, chaired by our Group commercial director, are responsible for driving the wellbeing agenda across the organisation. They are supported by the wellbeing network, our contract-based wellbeing champions and mental health first aiders (MHFA) of which we have a ratio of one MHFA for every 15 employees. Those offering help to others are also supported themselves through our occupational health provision and nurses.

Throughout the year, we have held a number of virtual wellbeing sessions for all colleagues. We have been joined by our charity partner Samaritans who have provided valuable support through the provision of emotional wellbeing and listening skills sessions.

**Learning organisation**

During 2021, we continued to roll-out the Costain Learning Organisation Model to bring all elements of a mindful organisation together to ensure Costain is set-up to succeed, has robust assurance, uses every learning opportunity and is supported by sound change management processes. Along with eliminating harm, this approach will become the backbone of our Safety Health and Environmental (SHE) approaches going forward.

**Sharing best practice**

We continue to be actively involved in a range of leading best practice groups and industry influencing organisations such as IOSH and we collaborate with our peers to help shape, influence and transform the future for industry.

David Taylor, Group commercial director, is part of the BITC wellbeing leadership

team. This team is made up of members from across a wide range of organisations and facilitates the sharing of best practice across industries. The team work collectively to take practical action and ensure that wellbeing is a strategic boardroom issue.



**SUPPORTIVE LINE MANAGEMENT**

Separating personal life away from work life can be extremely difficult and often impacts an individual's ability to perform at their best.

Line managers have a critical role to play in promoting positive mental health and it is important that they are equipped with the necessary training and tools to fully support their teams.

In 2021, the Women's network and Parenting and carers network produced two guidance documents for our new 'A manager's guide' series.

The documents 'A manager's guide to miscarriage' and 'A manager's guide to infertility and fertility treatments' provides information to support employees and their partners going through these challenging times and recognises that infertility and miscarriage affects all genders, not just women.

It was thanks to the openness and bravery of two of our colleagues to speak out, that the guidance was developed – based on real experiences and for the sole purpose of helping line managers support employees in their personal lives.

The feedback from the business has been overwhelmingly positive and received multiple nominations and won an internal employee recognition award.

**85%**  
of colleagues agreed with the statement  
**'I feel my line manager is supporting me'**

**WE WILL BE PUBLISHING 'A MANAGER'S GUIDE TO MENOPAUSE' AND A MANAGER'S GUIDE TO REASONABLE ADJUSTMENTS IN 2022**



Find out more / [www.Costain.com](http://www.Costain.com)



Read more about 'Your Voice' [www.costain.com/investors/results-reports-presentations-and-webcasts/](http://www.costain.com/investors/results-reports-presentations-and-webcasts/)



ENABLING PEOPLE TO BE AT THEIR BEST CONTINUED



**Being dynamic**

Dynamic working is our informal, flexible working approach. It was first introduced to the business in 2018, however the coronavirus pandemic accelerated our journey as we responded to the changing needs of the business.

Through our approach, employees are empowered to make decisions as to where, when, and how they work and is dependent on individual preferences, role requirements, business, client and team needs.

56% of employees who completed our Group wellbeing survey, said that post pandemic they would like to work from home at least two to three days a week.

**Listening to our teams**

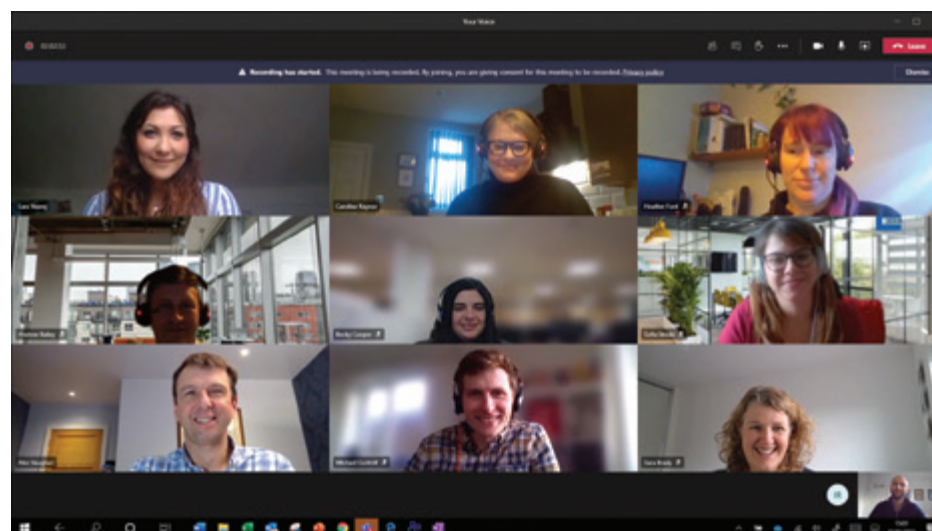
Listening to our colleagues is a two-way process. In 2021, our new employee forum, Your Voice was introduced to provide a formal mechanism to seek employee views on important workplace matters and to listen to ideas and innovations.

The Your Voice champions held a series of focus groups in their areas to provide important feedback which helped inform business decision-making, particularly around COVID-19 safety measures and controls, dynamic working and communication. In addition, the forum responded to and explored opportunities to develop ideas and innovations that had been directed to the Forum.

**Wellbeing survey**

As we continued to navigate the pandemic, we conducted a Group-wide wellbeing survey to help better understand how colleagues were feeling.

Recognising the different experiences of those in operational site roles and those working remotely, the questions were tailored to identify any trends and future concerns. Results were cascaded to employees and action taken to respond to key themes.



**Unlocking talent and developing our people**

We believe that that if we want to grow and develop as a business, we must also focus on supporting our people to grow and develop too. We have a truly outstanding team and are committed to investing in learning and development so that our colleagues can unlock and achieve their potential.

In 2021, we delivered over 75,000 training hours and saw a 10% increase in employees achieving Chartered status.

Our early careers programmes have been hugely successful. In 2021 we were proud to be among the gold members of The 5% club, an employer benchmarking programme that recognises the UK's leading employers of apprentices, graduates and degree placement students. We welcomed 120 new recruits who joined our apprenticeship and graduate structured programmes.

We have a formal annual review process to measure the performance of employees along with a mid-year career development review to discuss career aspirations and learning opportunities. In additional, all employees are encouraged to have regular one to ones with their line manager.



**WIDENING THE LENS FOR CAREER PROGRESSION**

We support our people to manage their professional development aspirations and to unlock the potential and talent that exists within Costain.

We run a variety of bespoke development programmes aligned to our strategy. Our programmes focus on developing talent, management, leadership and enhancing our consultancy capabilities.

Development programmes include:

**Emerging Leaders programme** – For colleagues that show leadership potential and typically operating in the earlier stages of their management careers with an ambition to progress into a senior role.

**Project Director Excellence** – This leadership programme focuses on developing talented individuals to become successful project directors. The programme, delivered in conjunction with contract leaders, comprises formal workshops, coaching, mentoring, 360-degree assessments and networking opportunities with senior leaders in the business.

**Shadow Board** – The Shadow board is a cohort of diverse thinking employees from across the business, working with senior leaders on strategic initiatives, to leverage insights from the wider workforce and encourage innovative thinking.

**Since 2017, 59% of participants were promoted or made a significant lateral move within two years of starting a development programme.**

50%

year-on-year increase in apprentices joining Costain since 2019

25%

increase in our graduate intake

21%

of our early career's cohort are BAME

Top

100

Rated in Top 100 employers for apprentices in 2020/2021

£2.5m

spent on learning and development

75,000

training hours completed in 2021



COMMUNITY AND CUSTOMER FOCUSED TO DELIVER SOCIAL VALUE

# People are at the heart of our purpose.

If we exist to improve people’s lives, we must be focused on delivering infrastructure solutions that anticipate the needs of those who use it to ensure that we deliver social, economic and environmental benefits for our clients, their customers and for Costain.

Our materiality assessment confirmed that customer experience and positive community relations is rated as high importance to our clients. Using our broad capabilities and knowledge of assets, we are focused on helping our clients improve regulatory performance and deliver improvements.

### Community engagement

Effective stakeholder engagement is critical to our success. Our community relations and customer teams are integrated in the local communities and are focused on building positive relationships with residents, community groups and infrastructure users. Teams use their local knowledge to co-ordinate and execute legacy action plans that make a valuable contribution to society.

It is important that we are respectful and good neighbours, and we continue to partner with the Considerate Constructors Scheme. In 2021, we achieved an average score of 44.6.

All Costain employees are given two days annual volunteering leave to help make a difference in our local communities. Throughout the pandemic, we have seen many employees use their volunteering leave to support Covid-19 recovery initiatives such as employability and mentoring. The pandemic and associated restrictions have continued to impact the delivery of our STEM volunteering, but we have adapted and taken part in numerous online sessions across the UK.

Our teams have continued to support local communities as the national strategy for Covid-19 recovery continues. Our A19 Testo’s and Downhill Lane team, together with Arco, donated 300 high vis vests for all volunteer marshalls working across three vaccination centres in South Tyneside.

In Preston, we have provided Endowed CE Primary School with 30 metres of high fencing for around their outdoor space, allowing the students to play safely outdoors.

*“We would like to recognise and thank our operational teams who in their role of key workers, worked hard throughout the year delivering essential infrastructure schemes across the UK.”*



## DESIGNS FOR EVERYONE

An inclusive environment enables everyone to participate equally, confidently, and independently in society.

To enhance the inclusivity of our designs, we established a working group to ensure the principles of Inclusive Design are embedded in all our design activities.

Inclusive Design considers the different requirements of all users to create safe and accessible environments. It covers a wide range of abilities, age groups, backgrounds, faith requirements and hidden disabilities to produce more intuitive and useable designs.

### The objectives of the working group are:

- Educate our designers on the principles of Inclusive Design
- Embed the principles in our processes and systems
- Use our influence and skills to challenge and enhance designs enabling greater inclusivity
- Engage with diverse communities and listen to feedback
- Incorporate with our current campaigns in low carbon, sustainable and digitally enabled designs

The group researched and collected data from various sources including stakeholders, charities, and developers of design standards. To increase their knowledge, they attended lectures from the Institute of Civil Engineers (ICE) and completed a training course developed by the Design Council.

To raise awareness internally, the group presented to the safety, health, environment, and quality community (SHEQ) and presented during National Inclusion Week to a sizeable and engaged audience.

The group have authored a ‘How To’ guide to provide designers with a comprehensive set of steps to follow to ensure the most inclusive design while signposting relevant and practical guidance.

The group continue to deliver the implementation plan to embed the principles of inclusive design within Costain.



Find out more / [www.Costain.com](http://www.Costain.com)



## MAXIMISING SOCIAL VALUE IN CLEATOR MOOR

To maximise the impact of social value activities linked to the Decommissioning Delivery Partnership at Sellafield, we recruited four young people from the Phoenix Youth Project to research and prepare a community action plan in Cleator Moor, one of the most deprived towns in England and Wales.

Over a six-week period, the team analysed available public data to identify key themes for the town, prepared a survey that asked questions around health and wellbeing, empty buildings, education, and sense of belonging, and took it to the community through digital and field research. The results generated valuable insights to shape the community action plan.

### Benefits

- 78% of respondents felt that people in Cleator Moor do not eat healthily. A healthy eating recipe booklet is being produced for all households.
- 60% of respondents felt that children should be taught how to manage money at school, so we have shared this with the local primary schools and two third sector organisations who work with schools across Cumbria.
- 45% of respondents felt that community groups such as the Phoenix Youth Project, the primary schools, the health centre, and other organisations did not work together to target issues such as emotional and mental wellbeing, yet 43% said they would get involved to tackle this. We have built a stakeholder forum with representatives from all the major community groups to ensure social outputs are driven by locals; the benefit of this will leave a legacy for future generations.



COMMUNITY AND CUSTOMER FOCUSED TO DELIVER SOCIAL VALUE CONTINUED

Integrating with the communities that we serve and building effective community relationships is part of our heritage. Over the last few years, we have focused on our longer-term impact and seek to leave a positive sustainable legacy in the areas in which we live and work.

**Delivering social value**

Alongside the global environmental challenges facing our communities here in the UK, we are also seeing significant social pressures impacting the lives of our communities and the economy. Since the Cabinet office implemented PPN06/20 in January 2021, we have seen a major difference in our clients prioritising social outcomes as an assessment of value from their procurement.

Delivering social value is not a new concept in Costain, rather a new badge for something we have been supporting clients to deliver for many years. We aim to deliver long-term, sustainable, social outcomes both through the solutions that we create and the legacy that we leave following the delivery of our operations.

In addition to delivering social value through our construction projects, we have grown our in-house social value consultancy team and are actively helping clients to better understand the value that their infrastructure/ service provides to society.

**Our approach**

We use the UK Government's social value model to develop our social value plans and focus on interventions that have a positive impact on addressing national social priorities.

Our contracts are required to develop a social value action plan within six months of contract award. We develop these plans in collaboration with our stakeholders using the Government's social value model as a framework.

Consistent measurement and reporting of social value in the construction industry is currently an issue, with many tools being deployed by a variety of clients and peers. For this reason Costain has adopted an agnostic approach to social value measurement methodology and instead of monetising our social value, we are focused on outcomes. We do at a project level use a variety of client-led tools to report and calculate our social value.

**Partnerships**

Being connected with the right partners is invaluable to maximising social value. Costain are proud members of Business in the Community (BITC) and patrons of the Prince's Trust. Costain has four senior leaders serving as regional board members and two Executive Board colleagues actively participating in campaign leadership roles with BITC. Costain also has executive level representation in the Prince's Trusts Build environment leadership group. Catherine Warbrick HR director took part in a Green skills round-table discussion with other business leaders and HRH the Prince of Wales. Following this Rob Phillips, Energy sector director was invited to-

COP26 in Glasgow to participate in further discussions with the charity and their corporate partners.

These charities help us to create and deliver community focused initiatives. In 2021 Costain colleagues have supported the BITC Boost programme, a mentoring scheme for out-of-work people, helping to improve employability and confidence. We have also supported the Prince's Trust through their various career programmes.

**Outcomes**

We are driven by our purpose to improve people's lives. While we monetise the social value that we create on a scheme, the more important measure of our success is realising the genuine impact that our social interventions have had on individuals. The Tideway East project provides an exemplar of how a tunnelling project can engage with the education system to provide a substantive legacy that outlasts the project itself. During the last five years, the CVB joint venture, with the support of the client Tideway, helped take the London Design and Engineering University Technical College from a start-up school with 200 pupils in portacabins to an oversubscribed college in a brand new building that is providing outstanding results. On average each student averages 9.5 employee encounters during their five years at the UTC. This exceeds the Gatsby benchmark of five.

**£167k**

contributed to charitable causes in 2021 (fundraising and donations)

**2,200**

hours spent volunteering in the community

**415**

disadvantaged young people supported with their employability skills

**1,250**

hours of spent on school engagement initiatives

**153**

job outcomes for previously unemployed people on our contracts (inc in our supply chain)



Find out more / [www.Costain.com/news/insights](http://www.Costain.com/news/insights)



**CREATING EMPLOYMENT OUTCOMES**

At a time when we have rising unemployment rates in the UK, we have collaborated with Department for Work and Pensions (DWP) and The Prince's Trust to facilitate UK Government Kickstart placements across Costain.

The six-month programme is part of the UK Governments 2020 'Plan for jobs' and aims to create high-quality work placements for young people who are currently at risk of long-term unemployment and helps them get the experience they need. We have worked with The Prince's Trust, to provide wraparound employability support for our Kickstart recruits ensuring we give young people the best possible chance to succeed.

In 2021, we facilitated 12 placements across Costain, six of which have resulted in a successful employment outcome or a return to further education.

*"The Kickstart placement led to me starting a Civil Engineering apprenticeship. I have already had the opportunity to learn having worked in both the water and rail sectors, and I am looking forward to developing my career at Costain."*

**Emmanuel Umana**  
Apprentice Civil Engineer





# Governance

**We are committed to the highest levels of corporate governance and this equally applies to how we operate as a responsible business.**

We believe in good governance beyond the requirement of the Corporate Governance Code and it is firmly part of the culture of how we do business. We have clear policies and procedures setting our how Costain colleagues, partners and suppliers must conduct themselves when working for Costain. We also set the expectation on our leaders and managers for how they must support their teams and suppliers to ensure they are at their best.

Responsible business goes beyond doing the right thing though, covering a broad topic of ESG issues.

## Our commitments:

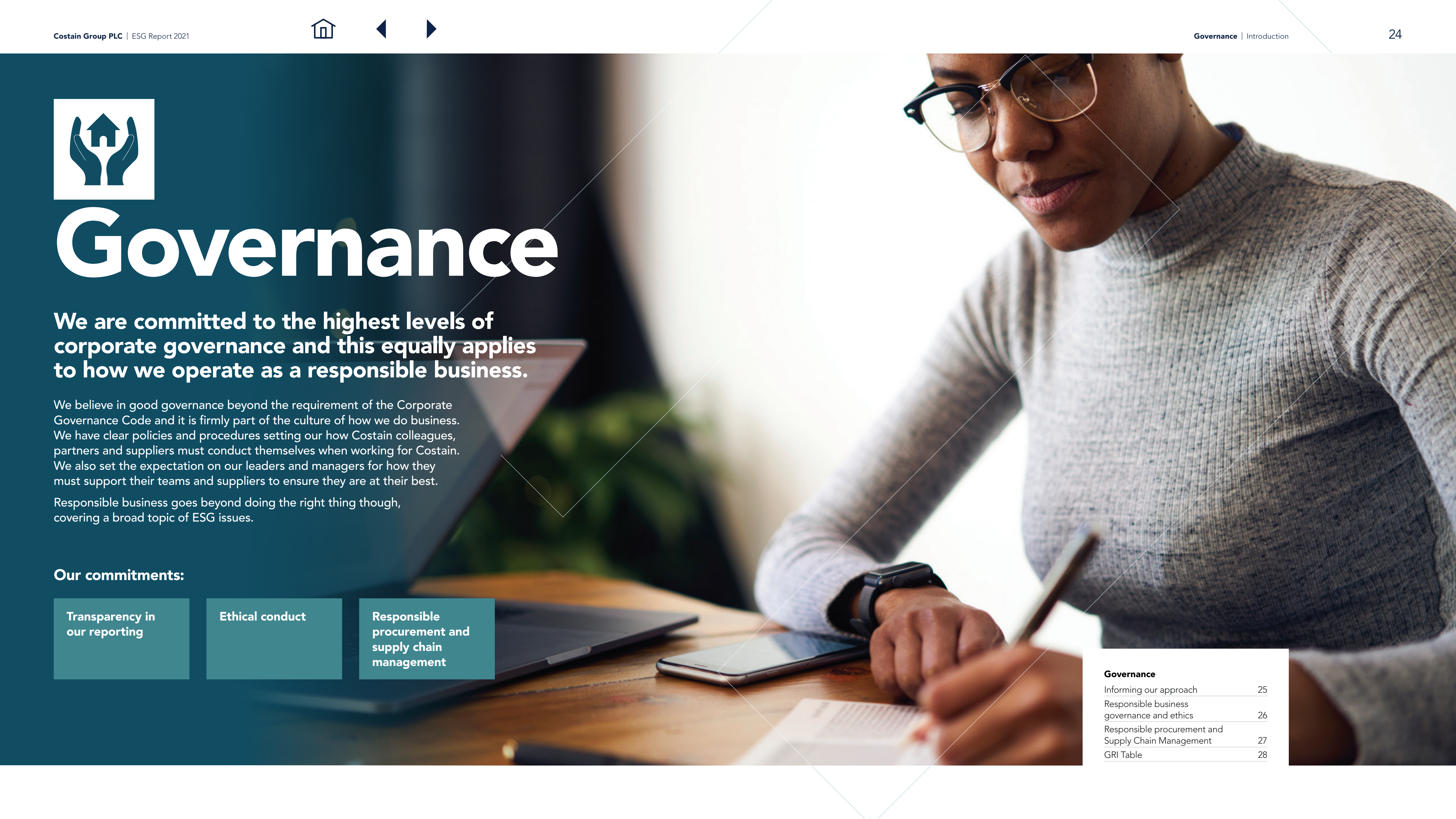
Transparency in our reporting

Ethical conduct

Responsible procurement and supply chain management

### Governance

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INFORMING OUR APPROACH

**We are committed to identifying and addressing the material sustainability and ESG issues that affect Costain and our stakeholders.**



**Stakeholder ESG materiality assessment**

On a biennial basis we conduct a materiality assessment to seek feedback from our stakeholders (clients, suppliers and our employees) on their ESG priorities and pressures. In 2021, we received feedback from over 160 stakeholders via a digital survey. Participants consisted of a broad range of job roles, levels and business sectors to ensure a rounded data sample could be obtained.

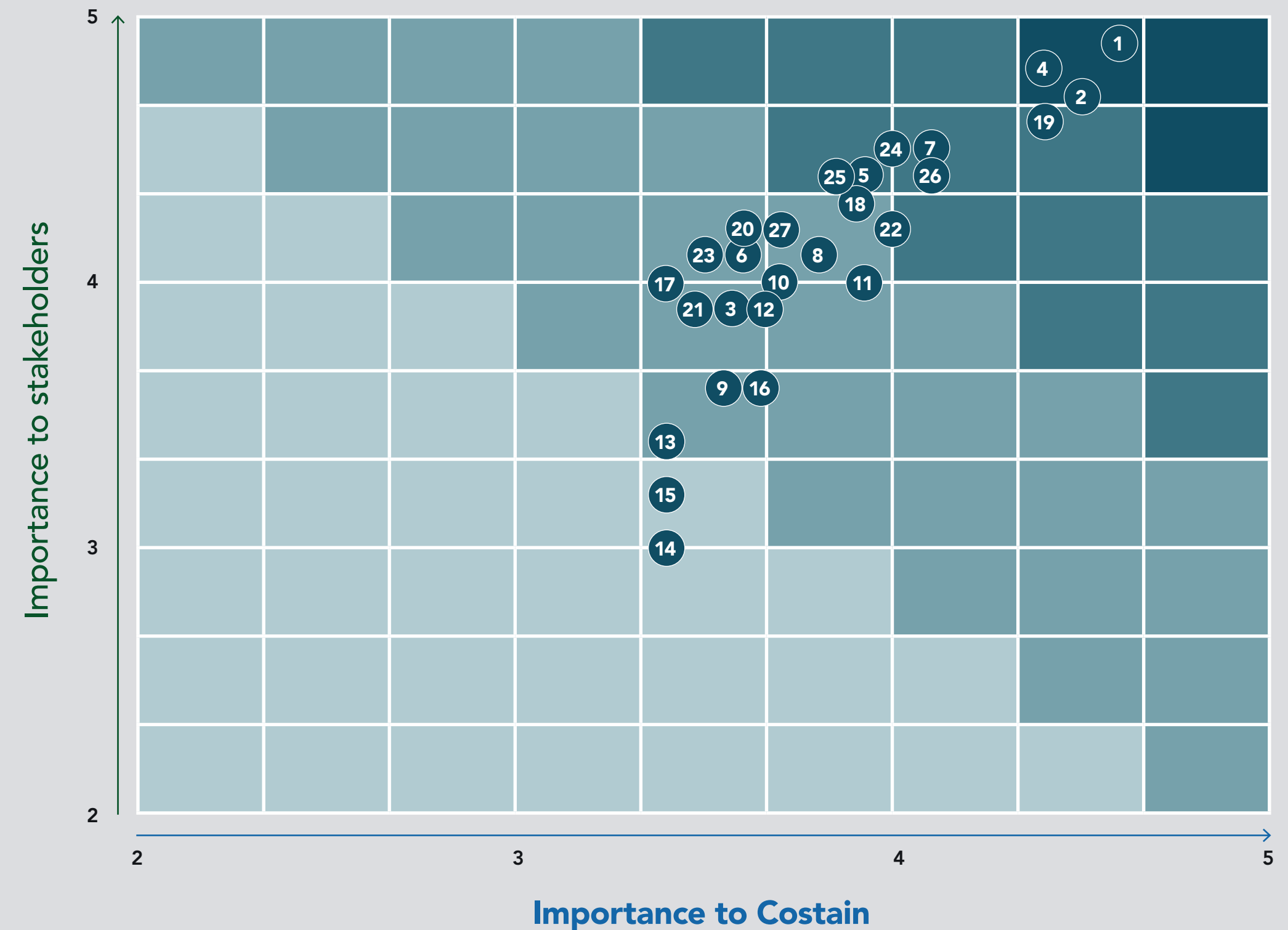
The data and verbatim comments received have been used to ensure that we focus on the big issues that matter and select responsible business KPIs that align with our stakeholders' priorities.

**Material issues for our stakeholders**

Workforce safety once again features as the highest priority issue for all stakeholder groups, closely followed by public safety and employee health and wellbeing. While all ESG issues on average increased in priority, our stakeholders clearly told us that employee health and wellbeing, availability of skilled resources and ethical conduct have increased most. While flood risk scored highly enough to be considered a priority, it once again was the lowest ranked ESG issue from both Costain and stakeholder feedback, despite growing in importance compared to 2019.

It was noticeable that when averaged, all 27 ESG issues had increased in importance by 11% compared to 2019. This represents a clear indicator that ESG issues are becoming increasingly more important to business operations and value assessments.

1. Workforce safety
2. Public safety
3. Workforce diversity
4. Employee health and wellbeing
5. Covid-19 resilience
6. Human rights (ethical labour/modern slavery)
7. Availability of skilled resources
8. Reducing CO<sub>2</sub> emissions (carbon) from operations
9. Reducing embodied carbon in materials or finding alternative options
10. Pollution (air quality, noise, dust, vibration...)
11. Waste/recycling
12. Sustainable materials
13. Circular economy
14. Flood risk
15. Water consumption
16. Biodiversity and natural capital
17. Creating and reporting social value
18. Maintaining positive community relations
19. Delivering good customer experience (the end user)
20. Creating skills and employment opportunities locally
21. Investing in local suppliers and/or SMEs
22. Responsible data handling
23. Sustainable/ethical procurement
24. Ethical conduct
25. Business resilience (climate change/cyber attack)
26. Productivity/efficiency
27. Supply chain health





RESPONSIBLE BUSINESS GOVERNANCE AND ETHICS

# Operating as a responsible business is integral to everything that we do.

## Governance

To be leading edge, we need to be resilient to change and we are committed to working with our employees, clients, supply chain and stakeholders to ensure that we are sustainable for the future.

The Board and Executive Board of Costain have overall accountability for responsible business related activities and for ensuring that policies and strategies are aligned with our wider business objectives. The Board annually approves Costain's responsible business priorities and holds the Executive Board accountable for their performance.

We have leadership groups that are responsible for reporting our responsible business performance to the Board and hold direct responsibility for implementing and delivering policy across the organisation. Catherine Warbrick, Group HR director holds executive responsibility for Responsible Business.

Executive directors and the wider Costain senior leadership team are eligible for annual bonuses to encourage improved performance, with targets established by the Remuneration Committee to align rewards with the Company strategy,

including health and safety, climate change and diversity and inclusion.

The Company uses the Costain Way, its operational management system, to detail controls and procedures, including Group policy statements, procedure manuals and other written instructions, which are reviewed and updated regularly.

The objectives of the Costain Way are to provide assurance that:

- Company activities across the business are compliant with appropriate legislation and codes of practice.
- Company systems, procedures and processes are effective at mitigating identified risks.
- Communicated, effectively delivered and management controls are consistently applied across the Group.

The Costain Way is certified by BSI as compliant to management standards including ISO 9001 (quality), ISO 14001 (environment), ISO 45001 (health and safety), ISO 22301 (business continuity), ISO 27001 (information security) and ISO 44001 (collaboration).

The Group also has an independent internal audit function to undertake a programme of risk-based audits across all operations throughout year. All audit reports are shared with the relevant business owners to implement appropriate measures to address any risks or controls weaknesses.

The results of all internal audit activity are also shared with the chief executive, chief financial officer and scrutinised by the Executive Board and Audit Committee on a regular basis.

## Ethical conduct

It is our policy to operate responsibly and with high ethical standards, particularly with regards to human rights issues.

We take a zero-tolerance approach to corruption and bribery, and we have an independent whistleblowing process in place to ensure we maintain high standards in all areas. Compliance with our anti-bribery policy is reviewed on an annual basis by all relevant officers, employees and partners and associated persons within our supply chain.

Detailed information on Costain's approach to protecting human rights of workers can be found within our annual Modern Slavery Statement.

All Costain employees are required to complete our annual code of conduct training, setting out the Board's expectations and the legal responsibilities of everyone working at Costain. A significant part of this interactive training is focused on ethical conduct and is introduced with a personal message from Alex Vaughan, chief executive officer. Over 3,000 employees completed this annual training requirement in 2021.

All Costain policies are available at [Costain.com](https://www.costain.com) and set out how we expect our people, partners and suppliers to behave and operate when representing Costain. The relevant Costain policies and procedures for responsible business:

POLICIES	SCOPE AND RELEVANCE TO RESPONSIBLE BUSINESS
Board diversity and inclusion policy	This policy sets out the Chair and Board of directors' commitment to maintaining a diverse and inclusive Board. Leading by example and setting expectation that the Group operates inclusively and continues to invest in diversity. The owner of this policy is the chair.
Responsible business policy	Costain's responsible business policy consists of 10 key actions (including 'procure sustainable goods and services') that all employees, partners and suppliers must do in support of meeting the Company's three commitments to responsible business: ensure Costain is a safe, inclusive and great place to work where everyone can be at their best; create a greener future; and enhance the value Costain contributes to society. The Board sponsor for this policy is the Group human resources director
People policy	The Costain people policy encompasses recruitment, development, reward, equality and diversity, health and wellbeing, compliance with labour/employment and data protection laws and regulations wherever we work. The Board sponsor for this policy is the Group human resources director.
Ethical business conduct policy	Bribery prevention; Fair and open competition; Insider dealing prevention; Fraud prevention; Whistleblowing are all covered by the Costain Ethical business conduct policy. The board sponsor for this policy is the Company secretary and legal director
Modern Slavery and Human Trafficking policy	The Costain Modern Slavery and Human Trafficking policy specifies the mandatory conditions of employment and contractual conditions for our suppliers. The Board sponsor for this policy is the Group human resources director.
Sustainable procurement and supply chain policy	The Costain Sustainable procurement and supply chain policy stipulates the conditions of all procurement activity, aligning outcomes to our responsible business commitment and 'leading edge' strategy. The Board sponsor for this policy is the Group commercial director.
Customer service	This policy is a declaration of the Board's intent in relation to achieving a positive impact on society. It sets out how Costain will meet the needs of clients, through professional, courteous and efficient service. The Executive Board sponsor for this policy is the chief executive officer.
Supplier code of conduct	Our code of conduct for suppliers sets out Costain's expectations for anyone working in contract with us. This includes matters such as health and safety, employee wellbeing, ethics and fair working conditions.



RESPONSIBLE PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

**We have a responsibility to ensure that we operate our business in a sustainable and responsible way and in full compliance with all relevant laws and regulations.**

This includes the procurement of goods and services made either directly or through our supply chain.

Across the business, we adopt and apply the principles of ISO 20400:2017 Sustainable Procurement.

Maintaining a high calibre supply chain is crucial to Costain for the reduction of risk and development of high performing strategic relationships. Our supply chain consists of over 3,000 companies, 2,000 of which provide operational goods and services. These companies are classified as strategic, preferred and verified suppliers to Costain.

We ensure that supplier procurement activities are aligned to our rigorous sustainable procurement processes and policies. Our suite of policies, set out our expectations of how our people, partners and suppliers behave and operate when representing Costain.

**Managing supplier performance**

We continue to invest in relationships with our supply chain and complete regular 'business-to-business' meetings to create a platform to enhance our collaborative relationships. Supplier performance reviews are completed quarterly on all contracts for all strategic and preferred supply chain partners.

Our strategic suppliers increased their performance review score to 74% in 2021 from 71% in 2020.

**Supporting small businesses**

In 2020, we set ourselves a target to spend £1bn with voluntary, charitable and social enterprises (VCSEs) and small businesses by 2030, equating to £100m per year. In addition to our VCSE and small business spend, we also aim for at least 35% of our total expenditure to be with a small and medium sized businesses (SMEs).

Investment in a diverse supply chain is important not only because it creates social and economic value, but it also helps to maintain a resilient and innovative supply base. In 2021, we exceeded this target with over 38% of total spend with SMEs.

	2020	2021
Spend with VCSEs and small businesses	£342m	£322m
SME spend	37%	38%

To ensure that we have a healthy supply chain of SMEs we hosted a further 84 businesses through our supply chain academy helping to enhance skills and capabilities on a variety of topics including commercial, HR, wellbeing, carbon and inclusion. Since the academy launched, 290 SMEs have now completed the training programme, with training reaching over 7,480 people.

**Upskilling our supply chain**

Another way Costain supports the upskill of our supply chain is through our role as a partner of the Supply Chain Sustainability School, a free training provider for the industry covering a wide range of topics from sustainable procurement, modern slavery and fairness inclusion and respect. As a partner, we promote access to the school's resources to our supply chain and employees as well as playing an active role in the industry working groups (carbon, labour, plant and social value). In 2021 Costain held four supplier training events via the school.

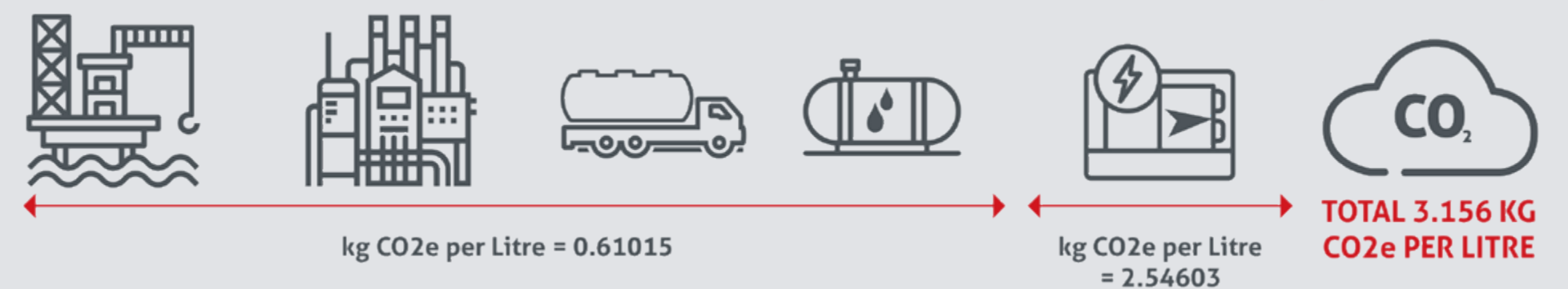
**Prompt payment code**

Costain remain a committed member of the Prompt Payment Code and ensured that 87% of suppliers were paid within agreed terms.

CRITERIA OF THE CODE	COSTAIN 2021 PERFORMANCE
95% of all invoices within 60 days	97%
95% of invoices from businesses with fewer than 50 employees within 30 days	84%

**Total CO2e comparison**

**Regular Diesel**



**Green D+ HVO**



**A COLLABORATIVE APPROACH TO REDUCING PLANT EMISSIONS**

To support our climate change action plan ambition of becoming net zero carbon by 2035 we conducted trials in 2020/21 on the use of red hydrotreated vegetable oil (HVO) for site machinery. Costain conducted the trial in collaboration with strategic supplier, Speedy Hire to secure supply of this low carbon fuel and to monitor performance in various equipment, ranging from generators to heavy construction plant.

Following successful results, Costain have mandated its usage across all projects from January 2022 and formed a supply agreement which covers suppliers working on behalf of Costain, with Speedy Hire for Green D+ HVO (an enhanced Hydro Treated Vegetable Oil) manufactured from 100% renewable and sustainable waste derived raw materials, accepted by the Road Transport Fuel Obligation and certified by the ISCC.

Green D+ HVO is manufactured to comply with EN15940, the standard for paraffinic fuels and ASTM D975, the standard for diesel fuels. Either directly or through compliance with the above standards, Green D+ HVO is approved for use in a vast range of engines by their manufacturers.

Benefits of using HVO fuel include:

- 90% reduction in net CO2e greenhouse gas emissions (from source to tail pipe)
- HVO delivers the same performance as diesel and uses the same tanks and pumps as diesel but in a renewable, sustainable and 100% biodegradable form.

The HVO fuel, GreenD+ also has the following advantages when compared to regular diesel:

- Copes with low temperatures
- Lasts longer in the tank and gives better fuel stability
- Price competitive thanks to government subsidies
- Reduces NOx by up to 30%.



GRI TABLE

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: core option

GRI STANDARD	DISCLOSURE	LOCATION	ADDITIONAL INFORMATION/OMISSIONS
<b>GENERAL STANDARD DISCLOSURES</b>			
<b>ORGANISATIONAL PROFILE</b>			
GRI 102: 1	Name of the organisation	Front cover	
GRI 102: 2	Activities, brands, products and services	Business model: P4 Annual report 2021: P8-11	Additional information in 'What we do' on Costain.com
GRI 102: 3	Location of headquarters	Back cover	
GRI 102: 4	Location of operations	Annual report 2021: P2	
GRI 102: 5	Ownership and legal form	Annual report 2021: P176-179	
GRI 102: 6	Markets served	Annual report 2021: P12-15	
GRI 102: 7	Scale of the organisation	Annual report 2021: P24-25	
GRI 102: 8	Information on employees and other workers	Social: P16-21	
GRI 102: 9	Supply chain	Governance: P27	
GRI 102: 10	Significant changes to the organisation and its supply chain	Annual report 2021: P24-25	
GRI 102: 11	Precautionary principle or approach	About this report: P29	
GRI 102: 12	External initiatives	About this report: P2-3, 12, 15, 17-18, 23	
GRI 102: 13	Membership of associations	About this report: P2-3, 18, 20, 23, 27	
<b>STRATEGY</b>			
GRI 102: 14	Statement from senior decision-maker	Chief Executive Statement: P3	
<b>ETHICS AND INTEGRITY</b>			
GRI 102: 16	Values, principles, standards and norms of behaviour	Annual report 2021: P62	Additional information in 'About us' on Costain.com
<b>GOVERNANCE</b>			
GRI 102: 18	Governance structure	Governance: P26	
<b>STAKEHOLDER ENGAGEMENT</b>			
GRI 102: 40	List of stakeholder groups	Business model: P32-33	
GRI 102: 42	Identifying and selecting stakeholders	Governance: P25	
GRI 102: 43	Approach to stakeholder engagement	Governance: P25	
GRI 102: 44	Key topics and concerns raised	Governance: P25	
<b>REPORTING PRACTICE</b>			
GRI 102: 45	Entities included in the consolidated financial statements	Annual report 2021: P143	
GRI 102: 46	Defining report content and topic boundaries	Materiality: P25	

GRI STANDARD	DISCLOSURE	LOCATION	ADDITIONAL INFORMATION/OMISSIONS
GRI 102: 47	List of material topics	Governance: P25	
GRI 102: 48	Restatements of information	Annual report 2021: P39	
GRI 102: 49	Changes in reporting	N/A	No material changes
GRI 102: 50	Reporting period	About this report: P29	
GRI 102: 51	Date of most recent report	About this report: P29	
GRI 102: 52	Reporting cycle	About this report: P29	
GRI 102: 53	Contact point for questions regarding the report	About this report: P29	corporate.responsibility@costain.com
GRI 102: 54	Claims of reporting in accordance with the GRI Standards	GRI Index: P29	
GRI 102: 55	GRI content index	GRI Index: P28	
GRI 102: 56	External assurance	About this report: P29	

**TOPIC-SPECIFIC STANDARDS**

**ECONOMIC**

GRI 201-1	Direct economic value generated and distributed	Overview: P1	
GRI 201-2	Financial implications and other risks and opportunities due to climate change	Environment: P8-10	
GRI 203-1	Infrastructure investments and services supported	Annual report 2021: P28-31	
GRI 204-1	Proportion of spending on local suppliers	Governance: P27	

**ENVIRONMENTAL**

GRI 301-1	Materials used by weight or volume	Environment: P11	
GRI 302-1	Energy consumption within the organisation	Environment: P11	
GRI 304-2	Significant impacts of activities, products and services on biodiversity	Environment: P14-15	
GRI 305-1	Direct (Scope 1) GHG emissions	Environment: P11	
GRI 305-2	Energy indirect (Scope 2) GHG emissions 9	Environment: P11	
GRI 305-3	Other indirect (Scope 3) GHG emissions 11	Environment: P11	
GRI 305-4	GHG emissions intensity	Environment: P11	
GRI 306-2	Waste by type and disposal method	Environment: P13	
GRI 307-1	Non-compliance with environmental laws and regulations	Environment: P14	

**SOCIAL**

GRI 403-1	Occupational health and safety management system	Social: P17	
GRI 403-3	Occupational health services	Social: P20	
GRI 403-9	Work-related injuries	Social: P17	
GRI 404-1	Average hours of training per year per employee	Social: P21	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Social: P21	
GRI 405-1	Diversity of governance bodies and employees	Social: P19	
GRI 405-2	Ratio of basic salary and remuneration of women to men	Social: P19	
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Modern slavery statement 2021	Costain.com/our-culture/modern-slavery-transparency-statement
GRI 413-1	Operations with local community engagement, impact assessments, and development programmes	Social: P22-23	



ABOUT THIS REPORT

This report highlights our approach to being a responsible business through governance, material issues, strategy and performance during the 2021 financial year (1 January 2021 to 31 December 2021), unless otherwise stated.

**Our approach**

We may occasionally mention activities that occurred before or after the reporting period, when this helps provide a clearer picture of our performance.

We have included case studies as examples of our responsible business commitments in action. The report covers Costain Group activities. It does not include activities or performance of our suppliers, contractors or partners, unless otherwise noted.

This report has been prepared in accordance with the GRI Standards: Core option (see P28).

This is our annual ESG Report, published in March 2022.

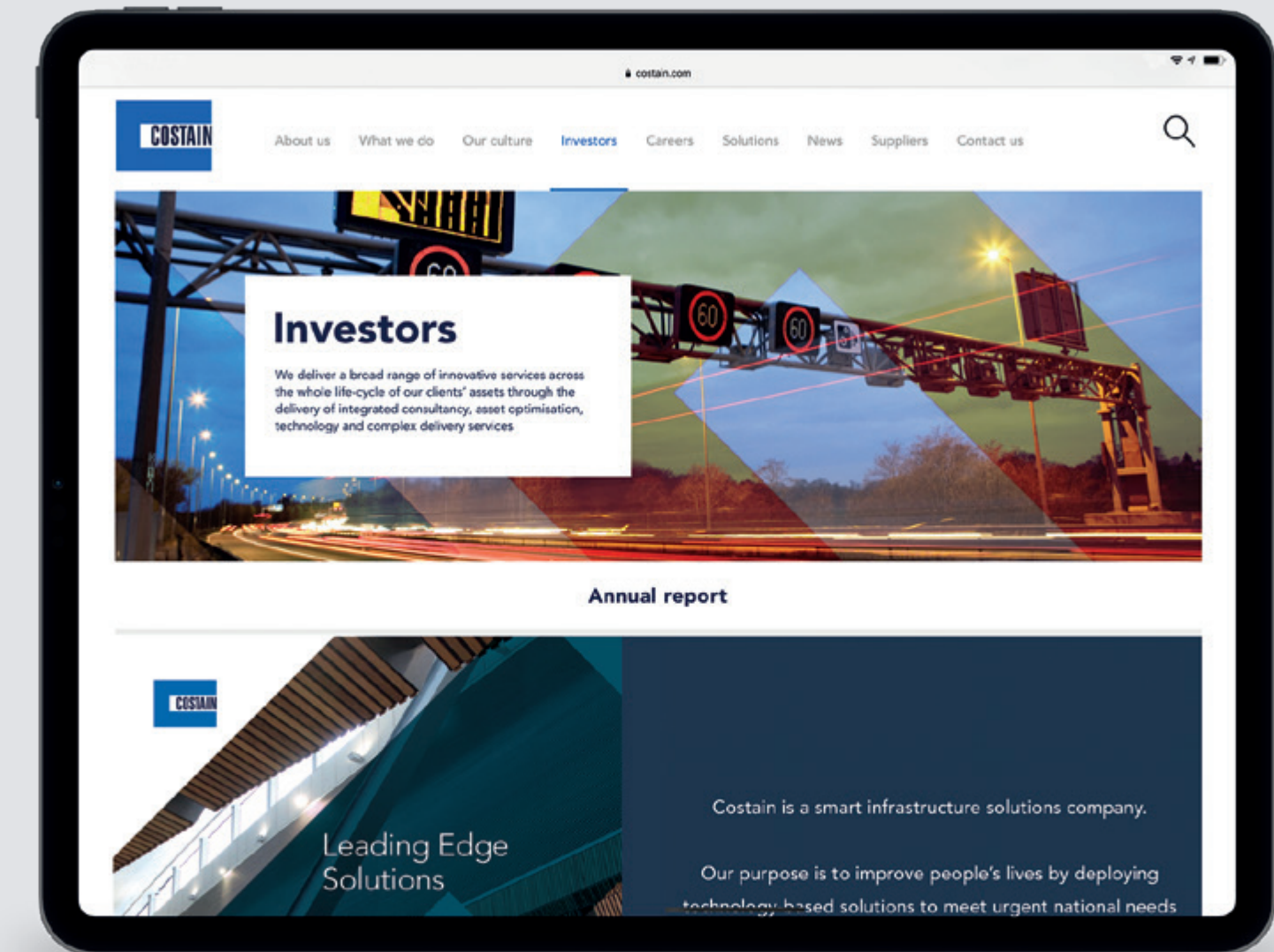
**Assurance**

With the exception of our carbon emissions, we do not commission independent assurance of our sustainability management and reporting.

Our emissions data is independently verified and accredited to the recognised standard Certificated Emission Measurement and Reduction Scheme (CEMARS) awarded by Achilles.

For safety, health and environment (SHE) data, our internal assurance function performs validation assessments across our contracts, ensuring the integrity of our data and that our rigorous standards for SHE management are upheld.

In addition, compliance with internal policies is a key responsibility of our internal audit function and is regularly discussed by both our Board and Executive Board.



**We welcome your views**

Costain is committed to engaging in dialogue with all its stakeholders.

We are actively encouraging feedback on our ESG Report and welcome any views you may have.

To provide feedback, or request additional information, please email: [corporate.responsibility@costain.com](mailto:corporate.responsibility@costain.com).

Our 2021 Group Annual Report can be viewed at: [www.Costain.com/investors](http://www.Costain.com/investors)

**Useful links**



To find out more about Costain visit our website pages /

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