





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

Overview

Highlights	01
Business model	02
Chief Executive Officer's introduction	03
Informing our approach	04

Environment

Environment introduction	05
TCFD governance	06
Strategy	07
Risk management	08
Climate metrics	09
Route to net zero	10
Protecting the environment	12

Social

Social introduction	14
Who we are and how we operate	15
Health and safety	16
Wellbeing	17
Equality, diversity and inclusion	18
Community and customer focus	20
Social value	21

Governance

Governance introduction	22
Responsible business, governance and ethics	23
Responsible procurement and supply chain management	24
SASB disclosure alignment	25
GRI table	26
About this report	28



To find out more about how Costain collaborates with customers on a wide range of contracts, please visit our website / www.costain.com

Financial highlights

2022	£1,421.4m	2022	£34.9m	2022	£72.9m
2021	£1,135m	(£9.5m) 2021		2021	£53.1m
Revenue	1,421.4m	Operating profit	£34.9m	Adjusted free cash flow	£72.9m

“Costain also plays a growing role in wider society, with the Board focused on Environmental, Social and Governance (ESG) matters. ESG is not only important for the Group, but also for our customers who increasingly value our approach to responsible business and the expertise, knowledge and capability we provide.”

Kate Rock,
Non-Executive Chair



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 05**



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.



Read more / **Page 14**



Governance

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



Read more / **Page 22**



Costain works to shape, create and deliver solutions that transform the performance of the infrastructure ecosystem.

We develop strategic solutions to optimise value and reduce risk; engineer innovative solutions that are sustainable, efficient and practical, and deliver projects in a safer, greener, faster and more efficient way.

Understanding the needs of our customers across the infrastructure ecosystem

We work with customers to anticipate, identify and meet their challenges, helping us to deliver pioneering solutions right across the infrastructure ecosystem.



Influence, shape and advise

- Rethinking the approach to infrastructure.
- Developing strategic solutions designed to optimise value and reduce risk.

Create and deliver

- Engineering innovative solutions that are sustainable, efficient and practical and deliver 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 repurposing, while delivering economic and environmental value.

Aligning our business to the United Nations Sustainable Development 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 detailed criteria of the SDGs and believe through the delivery of our infrastructure services we make a significant contribution to the following five SDGs.



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



www.costain.com/our-culture/being-a-responsible-business/

Underpinned by our Environmental, Social and Governance (ESG) commitments

Operating responsibly and with integrity is an integral part of our strategy and forms part of our core values.



Chief Executive Officer's introduction

Being a force for change

Welcome to Costain's 2022 Environmental, Social and Governance (ESG) report. We pride ourselves on being a responsible and sustainable business with a clear purpose to improve people's lives. We aim to be a force for change and to safeguard the future of our planet for generations to come.

Infrastructure is facing an enormous change, with increasing pressure building around the environmental and social agenda. This creates huge opportunity to maximise on our sustainable and responsible business commitments outlined in this 2022 ESG report. We maintain focus on safety, health and environmental, diversity, inclusion, as well as the social impact for our people and the wider community.

Health and Safety remains our number one priority, and over the last year, we recorded 16 reportable accidents from 32 million work hours. Our Accident Frequency Rate in 2022 was 0.05 while our Lost Time Injury Frequency Rate was 0.09. Despite these excellent statistics, in July, we experienced a fatality on one of our Rail projects. Following our investigation, to prevent a recurrence we are implementing a number of recommendations across our business including changes to current industry practice.

The wellbeing of our staff and the communities we work in remain another key focus. We have continued to adhere to the 'Mental Health at Work Commitment' founded by Business in the Community (BITC) and I'm proud to say that over the last year, our employees played an active role in a wide variety of fundraising activities alongside the Samaritans. Our objective was to raise awareness of Mental Health (see page 17) and, so far, we have raised £57,000 for our Samaritans 24/7 campaign – a fantastic result.

Employee concerns about the cost of living crisis are also part of our wellbeing focus, and we do not underestimate the anxiety the crisis is causing. As we outline on page 15, our short-term actions to support employees include a one-off payment, a financial education programme, and the introduction of an employee discount scheme. We are also a signatory of the prompt payment code and, as one of construction's fastest-paying contractors, we routinely settle supplier invoices in less than 20 days. However, we do also understand the need for a sustained long-term response, and we are keeping the cost of living under constant review.

The environment is another key focus, and we continue to deliver environmental benefits both within the Group and for our customers. I am proud to announce that in 2022 we reduced our total emissions by 15%. But this is just the start. We will continue to implement our Climate Change Action Plan to ensure we meet net zero carbon by 2035 at the latest target. To make sure we focus our efforts effectively, we have submitted our actions and reduction target outlined in our Climate Change Action Plan to the Science-Based Target Initiative and await endorsement. We have absolute greenhouse gas emissions (including Scope 3) as one of our key non-financial performance indicators (see page 9). However, as much as we grow as a business we will continue to maintain a low carbon approach by integrating innovation, using our sustainability expertise, and working collaboratively to exceed industry standards. Our customers increasingly value our ability to integrate our environmental capabilities; project examples include providing diesel-free sites for HS2, enhancing biodiversity on the M6 and exploring opportunities to use hydrogen.

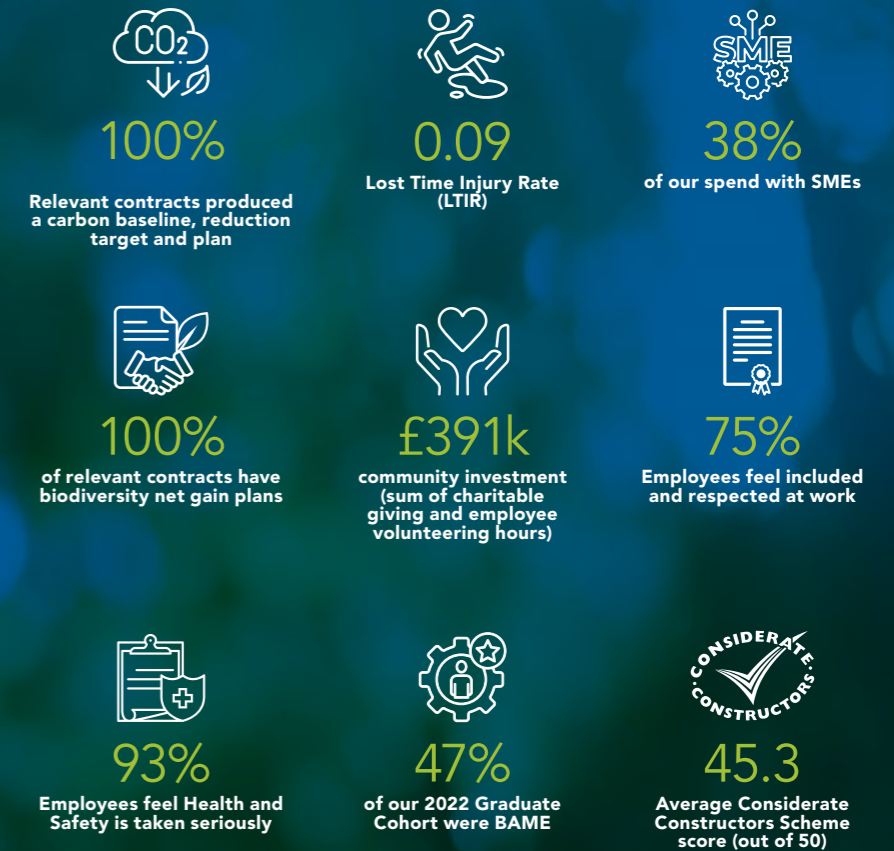
Inclusion, too, remains a key priority. As part of our ongoing inclusion strategy we have maintained focus on driving inclusive activities across the business. Full details of our diversity statistics are outlined on page 18. We launched our 'Little Book of Respect' as part of our Inclusion leadership impact day in April and have continued to drive the EDI agenda through our Networks and Active Allies Programme. I am also proud to announce that we have re-signed the Armed Forces Covenant to highlight our commitment to supporting reservists, veterans, service leaders and their families.

As the ESG report demonstrates, the environmental and social agenda continues to grow across the business. To reflect this, and to cement our ESG commitments as a sustainable company, we have converted our £125m revolving credit facility into a £125m sustainability-linked revolving credit facility. This facility is linked to ESG key performance indicators. As such, it illustrates our ongoing commitment to being a sustainable business, and this report evidences how we are getting there.

Alex Vaughan
Chief Executive Officer
13 March 2023



2022 ESG highlights



We're also proud owners of the following awards:



Informing our approach

By acting on feedback and intelligence Costain is focused on the issues that matter

Stakeholder ESG materiality assessment

Costain prioritising the right sustainability issues is crucial, and perhaps has never been as important as it is today. In reflection of the rate of social and environmental change at both a micro and macro level, we have increased the frequency of our materiality assessment. We now complete an annual stakeholder materiality survey (previously a biennial activity) and from 2023 will be undertaking a quarterly assessment using an artificial intelligence platform. Stakeholders we collate feedback from include customers, suppliers and our employees. In 2023 we will be undertaking a double materiality assessment to help inform our planned new ESG strategy.

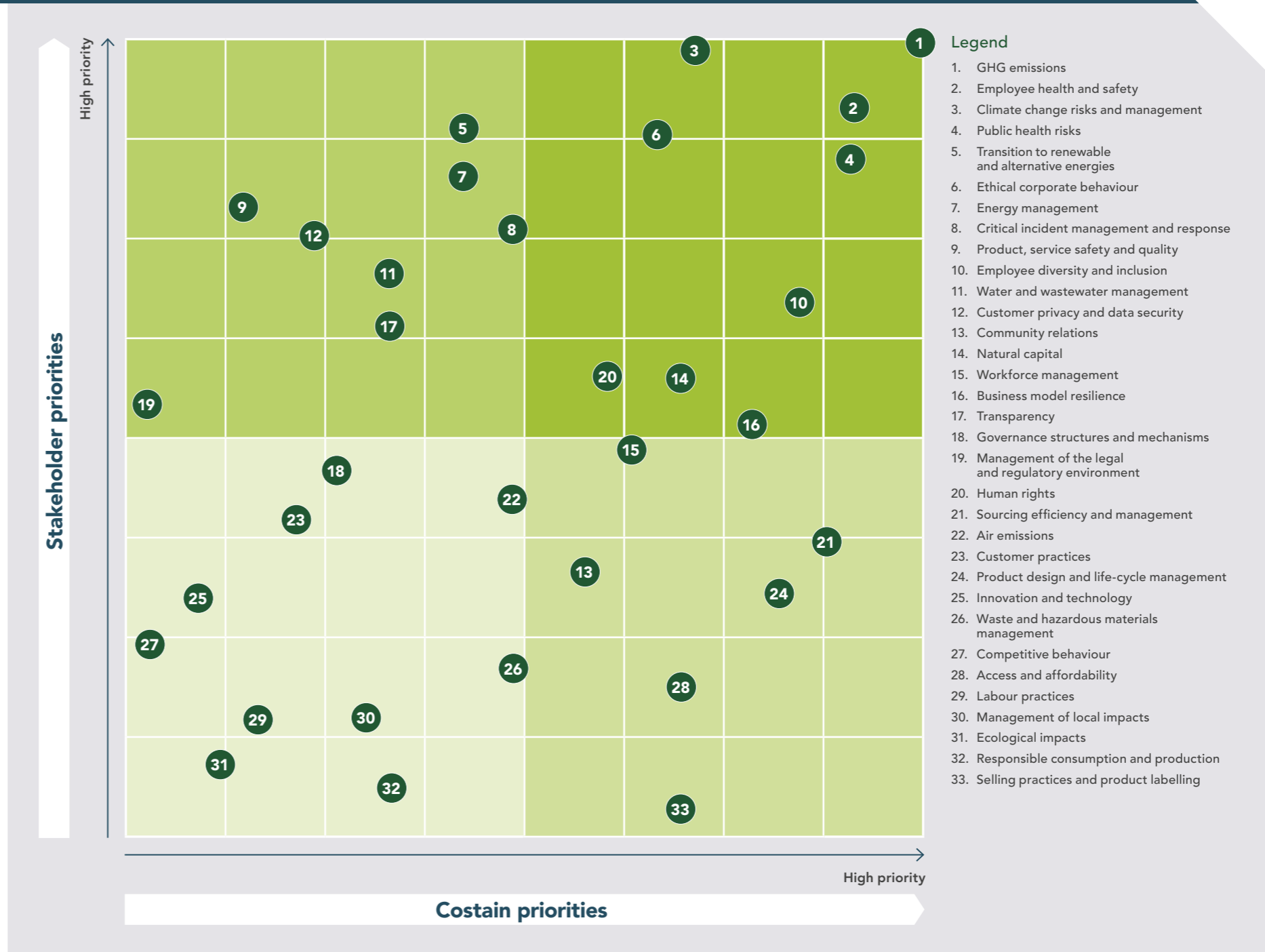
The double materiality assessment, which includes the effect of finance and corporate activities on climate change will ensure we are best able to inform stakeholders of our various ESG risks and opportunities.

Material issues for our stakeholders

Our latest materiality assessment demonstrates a notable change in priority for environmental and climate related issues. For the first time, greenhouse gas emissions has ranked as the most material issue to us, and also to our stakeholders. Employee health and safety is now our second ranked most material issue. However, we do not believe this issue to have become less important, it is more a reflection of the urgency of the climate crisis that changes the ranking.

The most notable social issue increasing in priority is employee diversity and inclusion (EDI); a reflection of how inclusion matters are playing such a big role in our society.

Overall, the distribution of issues on the matrix is more evenly spread compared to our 2021 assessment.



- Legend**
1. GHG emissions
 2. Employee health and safety
 3. Climate change risks and management
 4. Public health risks
 5. Transition to renewable and alternative energies
 6. Ethical corporate behaviour
 7. Energy management
 8. Critical incident management and response
 9. Product, service safety and quality
 10. Employee diversity and inclusion
 11. Water and wastewater management
 12. Customer privacy and data security
 13. Community relations
 14. Natural capital
 15. Workforce management
 16. Business model resilience
 17. Transparency
 18. Governance structures and mechanisms
 19. Management of the legal and regulatory environment
 20. Human rights
 21. Sourcing efficiency and management
 22. Air emissions
 23. Customer practices
 24. Product design and life-cycle management
 25. Innovation and technology
 26. Waste and hazardous materials management
 27. Competitive behaviour
 28. Access and affordability
 29. Labour practices
 30. Management of local impacts
 31. Ecological impacts
 32. Responsible consumption and production
 33. Selling practices and product labelling



TCFD governance	06
Strategy	07
Risk management	08
Climate metrics	09
Route to net zero	10
Protecting the environment	12



Environment

Our environmental commitments:

Carbon net zero by 2035 at the latest

Eliminating waste through circular thinking

Enhancing biodiversity and natural capital

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, and identifying and tackling our wider supply chain impacts contributing to a nature-based recovery.



Task Force on Climate-related Financial Disclosures (TCFD) governance

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

Costain has 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.

The following four pages set out our second disclosure against the Task Force on Climate-related Financial Disclosures (TCFD) pillars of governance, strategy, risk management, and metrics and targets. At the time of publication, Costain has made climate related financial disclosures consistent with the TCFD recommendations and the requirements of LR 9.8.6:

- Governance (all recommended disclosures)
- Risk management (all recommended disclosures)
- Strategy (all recommended disclosures)
- Metrics and targets (disclosures (b) and (c)).

Whilst this disclosure does not fully comply, over the next 12 months there will be further work to improve data which will help support financial analysis of the impacts of climate change, and to evolve the metrics and targets used to assess risk and opportunity disclosures.

Our disclosure covers 1st January to 31st December 2022 in alignment with the reporting period for the annual report and accounts. On page 10 we provide an update on the progress we have made against our Climate Change Action Plan, including sharing some of our performance highlights.

Costain’s TCFD timeline

- 2019: We committed to our net zero by 2035 objective and started to develop the Climate Change Action Plan.
- 2020: We committed to work towards compliance with TCFD recommendations and became certified PAS2080 compliant.
- 2021: Climate change is elevated to a principal risk.
- 2022: Our climate change targets were submitted to the Science Based Target initiative (SBTi).
- 2023: SBTi expected approval of climate change targets.

Climate related governance

Corporate governance is central to our responsible and value-oriented management and Board oversight activities. Currently, the Board has overall accountability for ESG related activities and for ensuring that policies and strategies are aligned with the wider business objectives. In 2022 Baroness Kate Rock succeeded Dr Paul Golby as chair of Costain. Baroness Rock is a former member of the House of Lords Select Committee for Science and Technology, actively promoting nature based solutions to climate change. Below we have listed accountable parties and their aligned responsibilities:

	Responsibilities
The Board	The Board has ultimate responsibility for ESG issues. The Board sets and oversees Costain’s strategic priorities and monitors the implementation of our strategy, which includes the Climate Change Action Plan. The Board met 10 times in 2022, discussing climate related matters in three meetings.
The Audit Committee – reports to the Board	The Audit Committee meet every six months and are responsible for supporting the Board in its oversight of all risks, including climate change. The Audit Committee review climate risk (PR 10) twice a year along with our other principal risks. The Committee also undertook a ‘deep dive’ of a number of the Group’s principal risks including climate change, balance sheet strength, effective project delivery and securing new work.
Remuneration Committee – reports to the Board	The Remuneration Committee approves the annual incentive plan for the Executive Directors and Senior Managers, which includes a weighting for ESG performance. The Remuneration Committee also approved the long term incentive plan (LTIP) criteria, which for the first time in 2023 included an ESG weighting (climate change 15%).
The Executive Board – reports to the Board	The Executive Board is 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. The Executive Board met 10 times in 2022, with climate related matters discussed in four meetings.
Executive Safety, Health and Environment (SHE) Committee – reports to the Executive Board	The Executive Safety, Health and Environmental (SHE) committee is responsible for the delivery of Costain’s Climate Change Action Plan. The Executive SHE Committee meets monthly and reports progress to the Executive Board. The Committee membership includes Costain’s two divisional Managing Directors. The Executive SHE committee met eight times in 2022, with climate related matters discussed in every meeting.
Climate Change Steering Group – reports to the Executive Board	The Climate Change Steering Group was formed in quarter four of 2022 to drive progress on the actions within our Climate Change Action Plan. The working group is chaired by Catherine Warbrick, chief people and sustainability officer. This group replaces the former TCFD working group, which was set up to help us align to the recommendations of TCFD in 2020. In 2023, it is proposed that an ESG Committee be formed to provide governance for the delivery of our planned new sustainability strategy. The climate change steering group will report into the ESG committee.
Operational leadership	Operational leadership reports to the Climate Change Steering Group and the Executive Board: Risk and opportunities are managed by the divisional leadership teams, with the managing directors responsible for taking a market based approach to these matters.



Strategy

Creating connected and sustainable infrastructure enabling people and the planet to thrive for future generations is ingrained throughout everything that we do.

Policy, investment and regulation trends are reinforcing our strategy in terms of changing market needs and our productivity drive. Reports by the National Infrastructure Commission and the Infrastructure and Projects Authority (IPA) Transforming Infrastructure Performance: Roadmap to 2030 confirm a need for a different approach to transform delivery performance of major infrastructure. Our approach puts us at the forefront of meeting this opportunity to create truly connected, sustainable infrastructure for the good of UK communities and to improve people’s lives. We collaborate closely with government, including DfT and the IPA, as well as other industry bodies like the Institute for Civil Engineers (ICE), Association for Project Managers (APM) and Institute of Environmental Management and Assessment (IEMA) to shape the future of infrastructure delivery.

Since inception in 2020, our climate change action plan has served as a crucial element of our strategy, reinforcing resilience and enabling us to achieve a net zero future.

Following the scenario analysis work carried out in 2021 (quantifying the impact of extreme heat on productivity levels across our sites and the volatility of materials pricing due to transitional risks), we have started to embed the climate risks into our business planning process. In 2022, an independent sustainability review of each business plan was undertaken, advising where developments and improvements can be made.

We also undertook further qualitative and quantitative studies which helped us develop our understanding of the transitional and physical risks of climate change likely to impact our business.

This year, for the transitional study, we have used three scenarios based on the Network for Greening the Financial System (NGFS) global climate models to qualitatively assess the possible implications of climate change on our business up to 2050. The scenarios are as follows:

- 1) Net zero 2050 (or an orderly transition) which limits warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO₂ emissions around 2050. This scenario is compatible with the long-term temperature goal of the Paris Agreement.
- 2) Delayed transition (or a ‘disorderly transition’) assumes annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C.
- 3) Current policies (or a ‘hot house world’) assumes that only currently implemented policies are preserved, leading to a global warming of 3°C+ by 2100 and high associated climate impacts.

These scenarios provide granular data on transition pathways and climate impacts which will be used internally to help guide decision-making and set more granular targets.

Climate risks and opportunities

The following table summarises the material risks and opportunities identified in the short, medium, and long term across the business.

	Risks	Opportunities
Policy & Legal ST MT LT	<ul style="list-style-type: none"> • Policies such as carbon pricing mechanisms are likely to increase our operational costs (e.g., asset and fleet costs) across our value chain. This is because key materials such as cement and steel are carbon intensive, and the price of these materials will be significantly higher due to increased carbon prices. Elevated material prices can be included in new and target cost contracts. However, in short-term and fixed cost contracts, the cost of materials may have to be absorbed by us, impacting our profitability. • Delaying the political and regulatory transition to a low carbon economy may result in more severe climate impacts such as more frequent and intense flooding events. This could result in an increased risk of litigation for our business which we believe will have a financial impact. 	<ul style="list-style-type: none"> • By developing low carbon alternatives, we can proactively prepare ourselves to scale up our offering in aggressive transition scenarios. This can help us to remain competitive in a rapidly changing market and position ourselves as a leader in the low carbon economy. • Carbon pricing policies can create financial incentives to us as a business. By achieving our net zero 2035 objective we can potentially generate additional revenue through the sale of carbon credits.
Market MT LT	<ul style="list-style-type: none"> • We rely on a wide range of inputs, such as raw materials, energy, and labour. The prices of these inputs can be volatile and subject to a range of factors such as natural disasters, supply chain disruptions, and geopolitical tensions as demonstrated across 2022. Notably, a net zero 2050, or delayed transition to a low carbon economy could also lead to changes in the prices of these inputs, particularly when there is increased demand for sustainable materials and technologies. However, with the advent of new technology these are likely to become more available. • The transition to a low carbon economy is unlikely to stop new construction and infrastructure projects. However, market risks could result in a slow down in investment in infrastructure. Public body investments in infrastructure may look to avoid a ‘lock-in’ of emissions given the long-term nature of contracts. As a result, our order book may be reduced if we cannot evidence sustainability credentials. 	<ul style="list-style-type: none"> • By driving our low carbon alternatives on all projects, we can gain a competitive advantage over peers by being seen as a partner who can offer solutions to customers’ net zero goals. • Private sector investment in decarbonisation is likely to grow, generating and increasing the likelihood of new opportunities. • Increased opportunity to support infrastructure customers with the decarbonisation of their assets and to support the energy transition.
Physical ST MT LT	<ul style="list-style-type: none"> • Increasing severity of extreme weather events across the UK is the single biggest physical risk across all time-frames, potentially resulting in delays, damage to assets and increasing project costs. • Physical climate risks will also drive an increase in insurance costs and indeed what is insurable. 	<ul style="list-style-type: none"> • We have identified opportunities to support existing customers’ infrastructure to become more resilient to the physical elements of climate change.
Technology ST MT LT	<ul style="list-style-type: none"> • Due to the nature of our business, many technologies such as heavy machinery and tools require significant amounts of energy to operate. However, to meet the objectives of the Paris Agreement, the development of innovative technologies to facilitate a low carbon future will be required, and thus be available on the market. For example, diesel free plant and equipment. An additional risk that we foresee related to the above is in relation to training and understanding these new innovative technologies. When new technologies continue to be developed, there is difficulty in predicting which ones will be most relevant and which ones will become obsolete. 	<ul style="list-style-type: none"> • We are already upskilling and developing employees to meet customer needs, while simultaneously reducing reliance on an increasingly competitive external hiring market. We need to ensure our strategy remains ahead of competitors and exploit some of the opportunities from technological advancement.

ST Short-term MT Medium-term LT Long-term

Risk management

Our risk management process provides a means to identify, prioritise and manage risks and opportunities.

After identifying climate-related risk as an independent principal risk in 2021, comprehensive reviews have been conducted at the executive and operational leadership levels. This involves the identification, prioritisation and management of our exposure to physical and transitional climate related risks and opportunities in accordance with the Group’s risk management process.

These risks are identified using both a top-down and bottom-up approach. The former considers the impact of climate change from the Group strategy, whereas the latter considers climate risk for our major projects, programmes, joint ventures and ongoing, business as usual operational activities. The identified risks are then evaluated and prioritised based on a consistent methodology to determine their potential materiality on the success of the Group’s strategic priorities.

Governance

The Board is responsible for defining risk appetite and determining the nature and extent of the principal risks the Group is willing to take to achieve its long-term strategic objectives. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group’s risk management and internal control systems every year. The process for doing this is set out in the audit committee report on pages 76 to 79 of our annual report.

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. The Board continues to oversee risk deep-dives and to receive presentations on these from the Executive Board risk sponsor.

Bottom-up review

Risk management is embedded at all levels of the business. Sectors, functions, major programmes and projects ensure that their risks can be effectively managed. The flow of risk within our risk management process is illustrated below. For further information on Costain’s Principal risks, please see pages 39-43 of our annual report.



See our 2022 Annual report and accounts for further information on risk management: www.costain.com/investors/results-reports-presentations-and-webcasts/

Climate Risk Scenario analysis

Climate related risks have been identified as the negative qualitative and quantitative impacts on the Group’s strategy. In particular, the impact on the Groups’ financial performance, growth prospects and reputation.

In 2021, Costain undertook a climate screening workshop with representatives from senior management, each on behalf of different areas of the business. Through these workshops, we identified material climate-related risks and opportunities and better understood how to respond to the TCFD recommendations.

As a result of the work, we concluded the most material climate risks were:

- Extreme heat impacting staff productivity and materials
- Extreme weather events impacting project delivery times
- Carbon tax impacting the cost of materials.

Extreme heat and carbon taxes were two climate-related risks taken forward as pilot scenario analysis disclosed in Costain’s 2021 TCFD disclosures.

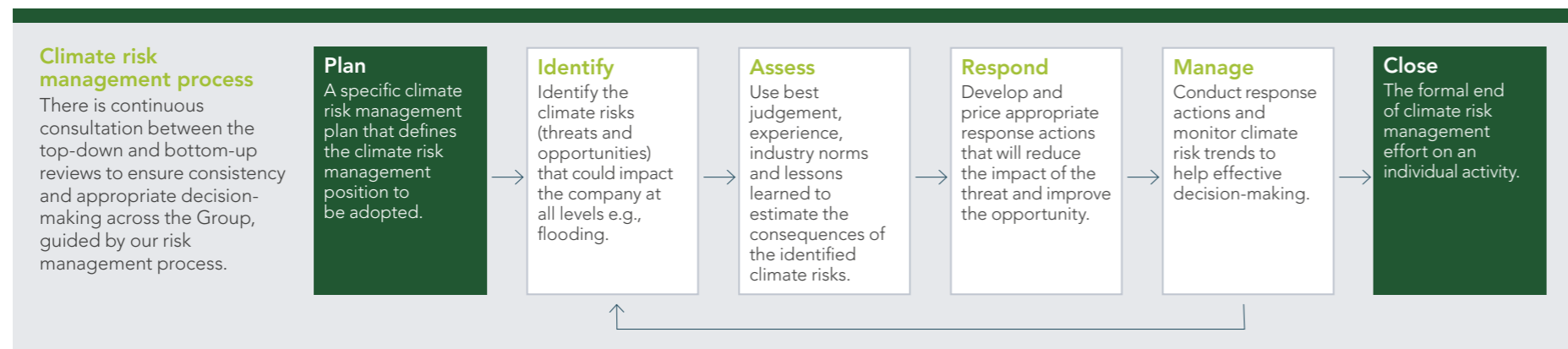
Following on from this, in 2022 we conducted further scenario analysis, modelling the potential future impact of flooding in the UK.

The scenarios were modelled across three time horizons, short-term (by 2030), medium-term (by 2040) and long-term (by 2050) and three temperature pathways (Under 2°C (SSP1-2.6), 2–4°C (SSP2-4.5), and over 4°C (SSP5-8.5)).

The results of the physical scenario analysis identified that the number of flooding incidents are likely to increase under all scenarios and time horizons across the UK. As a construction business that has significant site operations, this means we will be increasingly exposed to flood related risks on projects. A hot house world/ over 4°C scenario presents the greatest physical risk to Costain due to the increased frequency of extreme precipitation events and related operational and financial impacts. These impacts may include project delays, environmental impacts, traffic accident risks, plant and equipment damages, and health and safety of employees.

The analysis shows that our current UK only operational geographies are more exposed to low, moderate and high impact events compared to the UK as a whole. For example, Northern and Western parts of the UK are more exposed to extreme precipitation events than the Southern and Eastern parts of the UK. In this regard, West Glamorgan, Cumbria and Lancashire are counties among the most exposed counties to impact warning events (low, moderate and high) as well as flooding-related risks. To mitigate this risk we are identifying where flood resilience can be improved at these sites, and the identifying potential climate related opportunities where customers are willing to spend to protect against flooding events.

Due to data limitations, we have not disclosed the potential impacts of climate related risks and opportunities as we believe the results provided are not material and are a misrepresentation of fact. However, as part of the process this was highlighted and we expect to have a data collection process implemented for reporting in 2023.





Climate metrics

Metrics

Emissions intensity

	(Metric tons of CO ₂ e/£m)	
	2022	2021
Total	25.53	37.46*

Our emissions data is calculated in line with the GHG Protocol and is third party accredited by Achilles in accordance with Toitu Carbon Reduce scheme (formerly CEMARS) and ISO 14064-1. 100% of our emissions are incurred in the UK. Where Costain operates in a joint venture, we have divided emissions proportionately in line with our financial share of each contract.

Scope 1

(All indirect emissions from the activities under our control)

Emission source	Metric tonnes of CO ₂ e/year		
	2022	2021	% change
HVO fuel	241	14*	1,659%
Fuel (diesel, LPG and petrol)	3,940	3,619*	9%
Gas oil	836	6,625*	-87%
Company car fuel	1,347	162*	732%
Natural gas	269	352*	-24%
Total	6,634	10,772	-38%
kWh	63,408,675 kWh	46,102,531 kWh	38%

Scope 2

(Indirect emissions from our purchased and used electricity)

Emission source	Energy		
	2022	2021	% change
Metric tonnes of CO ₂ e/year	926	1,116*	-17%
kWh	4,689,997	4,787,774*	-2%

Scope 3

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

Emission source	Metric tonnes of CO ₂ e/year		
	2022	2021	% change
Concrete	8,596	5,853*	47%
Steel	1,489	4,228*	-65%
Aggregates	1,868	2,161*	-14%
Asphalt	10,422	11,741*	-11%
Other	6,348	6,851*	-7%
Total	28,723	30,834	-7%

* Restated figures for 2021 based on additional data obtained after reporting

Monitoring our emissions

For over a decade Costain has monitored its environmental performance, with climate related KPIs focused around Scope 1 and 2 emissions and from 2021 scope 3 emissions. We are awaiting feedback that the targets within our Climate Change Action Plan have been approved by the Science Based Target initiative (SBTi) which we submitted in 2022. These targets will be monitored and reported in the future.

Our performance in 2022

This year we are pleased to see an 15% reduction in Scope 1,2 and 3 emissions. When normalised by turnover (tCO₂e/£M) emissions have decreased by 32%. For the second year we have included the embodied emissions of our most carbon intensive materials: concrete, steel, aggregate and asphalt within our Scope 3 figure, alongside our mandatory emission sources.

Our reduction in emissions has been primarily due to our transition to low carbon fuels within our Scope 1 emission data. Hydrotreated Vegetable Oil (HVO) now makes up 80% of our fuel mix in 2022 compared to 12% in 2021, achieved through our HVO procurement mandate (please see our 2021 ESG report for details on where and how we source our HVO fuel). We have also seen a 2% reduction in electricity usage and a 24% reduction in natural gas as we continue to improve efficiencies in our offices. However, company car emissions have increased 732%. Whilst mileage did increase year on year, this significant increase is largely due to data issues caused by changing expenses systems. This meant 2020 data had to be replicated for 2021, which had been impacted by the drastic reduction in travel during the Pandemic. Our Scope 3 emissions are reflective of the fact that we continue to improve the quality and breadth of data available from our supply chain. Our focus in 2023 will be to integrate our low carbon material mandate to reduce the carbon intensity of individual materials.

Monitoring climate risks

In addition to emissions data, the executive board monitors the completion of carbon training of senior managers and employees. In 2022, we have developed a materials mandate which specifies alternate low carbon options being used to achieve baseline reduction targets. The mandate is being rolled out in 2023.

We have also been implementing ways to improve data availability. For example, we have trialled a new waste application on our A30 project, to integrate digital data from the material order and delivery stage. This data can then be used to extrapolate material usage trends, help establish deviations from original design quantities, and identify opportunities to reduce material consumption, thus greenhouse gas emissions.

Furthermore, in 2023, we will be improving our data collation through more stringent processes within data reporting.



62%

Employees understand their role in helping Costain to become net zero



30%

Board meetings where climate-related matters were discussed

Innovative Concrete Application

In Area East of the High Speed 2 (HS2) works at Euston, we needed to install over 500 piles using low carbon concrete

Instead of traditional methods, our joint venture team Skanska, Costain and Strabag (SCS) installed a 700mm layer of granular material with a 200mm layer of concrete, eliminating the need for additional fill material for repair. Furthermore our supplier, Capital Concrete supplied Wagner's Earth Friendly Concrete (EFC); a cement-free concrete which typically offers a 50% saving in embodied carbon compared to standard concrete mixes.

Use of Earth Friendly Concrete for Piling Platforms on SCS showed multiple benefits which included: fewer wagon deliveries and vehicles on-site and a carbon saving of 79% compared to traditional methods (based on a seven month works period).

Upon completion of piling, the pile mat platforms will be crushed on-site, with the material being used as hardcore.



Find out more / www.costain.com/solutions/case-studies/reducing-hs2s-carbon-footprint/



Preston Western Distributor Road

Our Preston Western distributor road contract generated large quantities of sub and top soil during the construction of the new dual carriageway through agricultural land. The construction of compounds resulted in temporary use of sub-base which had to be disposed of at the end of the project when the land was returned to agriculture.

Instead of using compound surfacing or asphalt for the base of the temporary works accommodation, we used SUREGROUND™ Reversible Soil Enhancement System. A unique compound and haul road solution provided by Soil Science Limited was appraised. Soil Science enhanced in-situ material with their SUREGROUND™ binder and surfaced this with a Maintenance Free Surface Armouring design. Upon completion of works the in-situ material will be decommissioned back to original Department for Environment Food and Rural Affairs (DEFRA) pH. Wider sustainability benefits include: reduction of use of virgin aggregate, lower impact on local air quality and less impact of congestion.





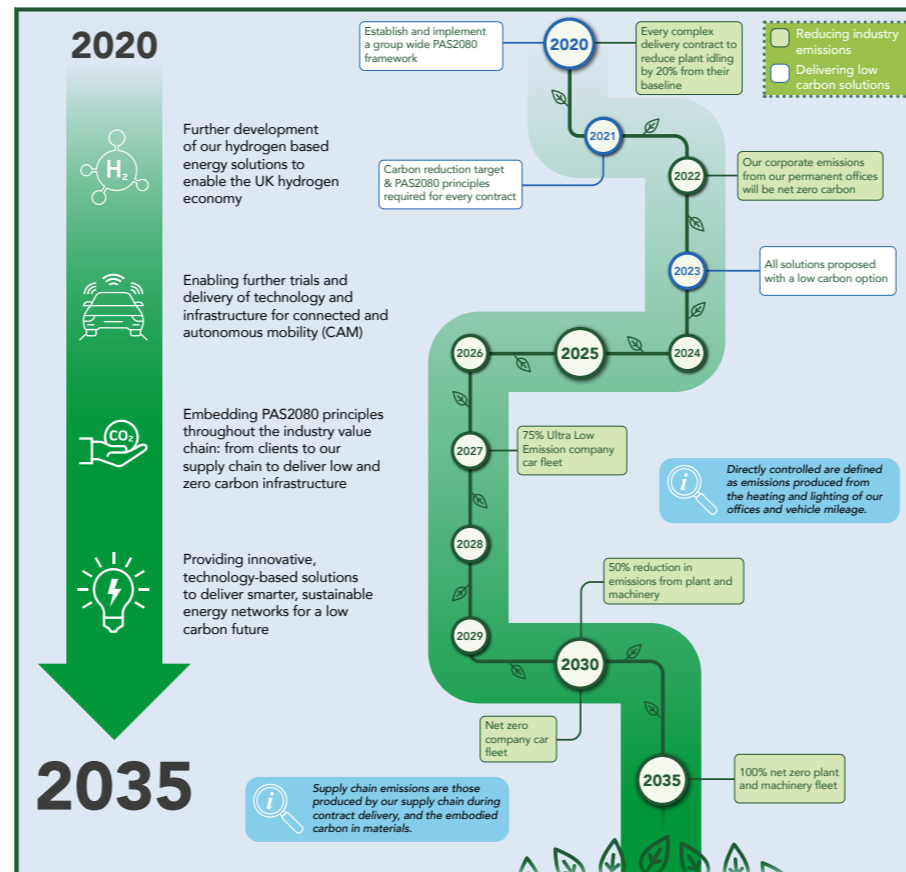
Route to net zero: Reducing greenhouse gas emissions

In 2020 Costain 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 customers and helping the UK on its journey to net zero.

We have a clear plan, and we are working collaboratively with our supply chain, government, customers, and drawing on our digital and technology expertise to decarbonise infrastructure. We understand it is essential 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 customers and supply chain partners. 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 (right):

Highlights from 2022 include:

- In 2022 we became a founding member of the Hydrogen Southwest partnership committed to developing hydrogen infrastructure.
- We have secured two grants working with the University of Cambridge to develop physical and digital road infrastructure, while being underpinned by sustainability to help reduce traffic and greenhouse gas emissions.
- We secured a 'B' rating from the Carbon Disclosure Project (CDP), improving from a 'C' rating in 2021.
- We achieved silver status for the Supply Chain Sustainability School plant charter.
- In 2022, 98.8% of company cars delivered were either electric or hybrid models.
- Our forward-thinking vehicle fleet transition plan was shortlisted in the Transport/Fleet Management Initiative of the Year category at the 2021 edie Sustainability Leaders Awards.
- We mandated the use of HVO across all contracts from 2022.



Transition to low carbon fuels

We have been maximising use of new technology to successfully transition to low carbon fuels. These include the below examples across various projects:

- We achieved the first diesel free site on HS2 at Canterbury Road Vent Shaft. Technologies included the UK's first 160 tonne emissions-free fully electric crawler cranes; the use of Hydrotreated Vegetable Oil; an electric compressor; and access to mains power on a 100% renewable energy tariff.
- Costain has hired two Volvo FE electric tippers, reducing tailpipe emissions to 0%. The two new Volvo electric wagons on this project have saved a combined 0.25 tCO₂e per day.
- We have also introduced hydrogen powered settlement tanks at one of our road projects. We had the first electric road sweepers in the UK on HS2 as well as the first to have H2 fuel cell and solar power cabins on HS2.
- We are currently trialling 40kVA hydrogen generators on temporary compounds.

2022 Target
Through our Carbon materials working group, we planned to accelerate the uptake of low carbon materials and prioritise our focus on carbon intensive materials such as steel, concrete, aggregates and asphalt.
We planned to introduce a new target for all relevant contracts to establish carbon baselines and have reduction plans aligned to PAS2080.
We aimed to stress test our Climate change action plan by seeking endorsement by the Science-based targets initiative (SBTi).

2022 Progress
Our carbon materials working group has released technical briefings notes to increase awareness around low carbon specifications. These include: specifying sustainable steel and minimising the carbon impact of concrete.
100% of relevant contracts now have a carbon baseline target and implementation plan on how they will achieve their reduction target.
We have submitted our Climate change action plan to SBTi with near-term and long-term targets for endorsement (outcome expected in summer July 2023).

2023 Targets
We implemented a Materials Mandate which includes five mandated actions to successfully reduce carbon on every project. The carbon materials working group will introduce the mandate in quarter one and will start monitoring mandate in quarter two.
Continue to report yearly project baseline and monthly reporting and implement reduction actions. From June 2023 all clients will be provided with proposals that have low carbon options.
Improve the quality of data for scope 3 emissions to enable more strategic analysis and target further material efficiencies and expedite the uptake of low carbon materials.

Route to net zero: Reducing carbon and maximising environmental opportunities

Responsible production and consumption

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 design out waste, reuse existing assets, design for deconstruction and use secondary/ recycled materials, and those that can be used in a circular fashion. 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.

In 2022 we have continued to support our employees and supply chain in ‘WiiSE by Design’ training, aligned to PAS2080 principles. 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.

The carbon materials working group

To continue to achieve our net zero plan by 2035, in 2022 we created a carbon materials working group to maximise opportunities to reduce carbon in the delivery of our contracts. The group has created technical briefing notes (TBNs) providing clear and concise ways to reduce carbon on our projects. Environmental TBNs created in 2022 include:

- TBN 27 specifying sustainable steel: The notes highlight ways to successfully reuse steel and recycle scrap steel, using more efficient production methods and utilising breakthrough technologies.
- TBN 25 minimising the carbon impact of concrete: The notes discuss how designers can focus on efficient design and reducing the cement content of concrete by specifying Low Carbon Concrete.
- TBN 21 Environmental Product Declaration (EPD): An independently verified and registered document that communicates transparent and comparable information about the life-cycle environmental impact of products in a credible way. It is an ISO type III Environmental Declaration which is compliant with ISO 14025 standards.

>99%
waste diverted from landfill

23%
reduction in waste since 2015

A30 Chiverton to Carland Cross:

The use of a by-product from the china clay mining industry in Cornwall has been used as a substitute for aggregate on the A30 project.

This is a material that would otherwise have no use and would be left in white spoil heaps, scarring the local landscape. This material has been tested by our on-site labs and has been deemed to meet the engineering abilities required for certain uses across the project. Namely 6F5, Type 1, and others.

By using the by-product over virgin aggregate there is a direct reduction in embodied carbon. The footprint of the by-product is 0.003 tCO₂e/t compared to the 0.005 tCO₂e/t of the virgin product. A reduction of 756t CO₂e has been saved by using material from the local Brooklands Quarry.

Investing in the local supply chain

The A30 works also collaborated with Aggregate Industries (AI) to review the material and transport impacts of asphalt delivery. By investing, alongside National Highways, in AIs Mebur and Moorcraft asphalt production plants, the project team was able to reduce the road transport Co₂e by 10%. The investment also ensured that both plants could upgrade to warm mix facilities which were used on site.



Find out more / www.costain.com/news/news-releases/costain-brings-local-green-solutions-to-national-highways-a30-road-upgrade-in-cornwall/



RDP North utilising SuDS

In 2022 we completed the widening of the A1 Scotswood to North Brunton on behalf of National Highways.

The existing A1 outfalls into the Ouseburn River was assessed in line with the National Highways Water Risk Assessment tool (HEWRAT) and were found to be failing to meet water quality standards for sediment and dissolved copper and zinc.

To provide treatment to the Ouseburn outfalls, the inherited design called for four vortex separators. However, these had very high associated financial cost and carbon intensity, while not fully mitigating the water quality failures.

Therefore, the possibility of reusing an existing SuDS (Sustainable Drainage System) pond was explored which would eliminate the need for vortex separators and the substantial works required for their installation. The pond was originally constructed by Newcastle Great Park development to attenuate highways runoff; however, this pond was never used. Following extensive consultation to seek the cooperation of the landowners and necessary legal agreements through National Highways, approval to proceed was received.

Works started in January 2022 to regrade the pond and install a new pipe connection to the highway drainage, headwalls, and control valves.

Subsequently, surface water drainage from the section of the A1 north of the Ouseburn will be discharged via the SuDS pond. The pond will aid in the removal of hydrocarbons, sediment, and heavy metals from the water. This will contribute towards improving the water quality of the Ouseburn in line with Water Framework Directive obligations.

Savings c.440 tCO₂e have been realised, and the SuDS solution has better water treatment performance and reduced maintenance requirements compared to the vortex separators.



Find out more / www.costain.com/news/news-releases/boost-to-the-north-east-economy-as-multi-million-pound-a1-upgrade-opens-to-traffic/

Protecting the environment

Enhancing biodiversity and natural capital

Costain’s environmental management system is certified to ISO 14001:2015 which sets the framework for environmental performance, minimising our impact on the environment and ensuring continual improvement. The delivery of large-scale complex infrastructure projects in sensitive environments brings with it environmental risk, but we are relentless in our approach to minimising our impacts.

Through our eliminating harm initiative which has trained our employees and supply chain over the last two years, we have sought to eliminate environmental risks at the earliest stage of the project life-cycle. We are often in the position of leading or advising projects through the planning approval process such as Development Consent Orders, and our teams ensure environmental considerations are accurately assessed and mitigation integrated into plans. We also leverage our people’s delivery knowledge and skills to influence design, resulting in improved resource efficiency, and a reduction in waste and transport emissions, to deliver more sustainable whole life solutions for clients.

During the last two years, one of our greatest environmental challenges has been the management of surface water from large scale earthworks and the resulting risk of silt pollution. In 2022 we experienced two environmental incidents at our A30 project in Cornwall where managing the quality of silty water after exceptionally heavy rainfall was a real challenge. Our team responded to the issues very quickly to improve the retention of water and quickly improved treatment systems at each discharge point to ensure only clean water left the site.

To produce a step change in water management during construction works, we rewrote procedures and introduced several new tools and controls in 2022. Briefings were held with all senior employees to ensure the risk was fully appreciated and the expectations within the new processes and controls were understood.

Our engineers work alongside our environment and community team to ensure other direct impacts such as noise and air pollution that may affect communities in which we work are minimised. We have a team of over 60 environmental professionals who ensure we are constantly striving to eliminate impacts and protect the environment and these communities.



Nature Positive Business Pledge

In 2022 we signed the Nature Positive Business Pledge, which at its core is a commitment to halt and reverse impacts on nature. Businesses have a key role to play in this, and by doing so in ways that work hand-in-hand with net zero carbon targets. This includes our climate science based targets that will ensure an integrated long term Nature Positive business approach is achieved. Businesses are often seen as part of the problem, but by becoming Nature Positive, it can be a vital part of the solution. The core principles of the Pledge include applying the Nature Mitigation Hierarchy in all our projects, integrating long term benefits for nature within our solutions, ensuring our actions aim for net positive outcomes by providing additionally, and we will work in line with the precautionary approach to ensure the greatest outcomes.

Projects achieving blue or green environmental engagement ratio:

72%

Environmental Incident Frequency Rate (EIFR):

0.10

(2021:0.16)

Employees who believe we are taking positive action to protect the environment:

86%

Relevant projects that have biodiversity net gain plans:

100%



Exceeding biodiversity net gain (BNG) targets on the M6

Maximising onsite biodiversity enhancements is our primary route to achieving BNG. Our M6 Smart Motorway scheme team maximised enhancement on-site but were still short of the project BNG target. Therefore, we approached local councils to identify initiatives we could help with. Wigan Council had a desire to restore Sandyforth, a major semi-natural green space immediately adjacent to the M6 motorway to create new grassland, woodland and wetland habitat. The proposal offers the types of habitat that are being lost on the scheme, (grassland and woodland) as well as creating some entirely new ones.

The original outline proposal provided 47 units of off-site enhancement, but following modifications to the landscape design and seed mixes by our Ecologist and Environment Manager the site is now expected to exceed the 128.82 units required to reach BNG. The habitat creation is due to use in January 2023. The proposals also include trialling and monitoring of innovative materials for carbon storage and sequestration which may also increase the growth to desired conditions of the created habitats. This work will be monitored in part by ecological surveys (in years five and 10) for habitat effect, but also by two universities over the first five years for carbon storage effect.



Protecting the environment continued

Becoming Nature Positive

Despite on-going efforts, biodiversity is deteriorating worldwide and this decline is projected to worsen with business-as-usual scenarios.

The United Nations Biodiversity Conference (COP15) ended in Montreal, Canada, on 19 December 2022 with a landmark agreement to guide global action on nature through to 2030. The meeting resulted in the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) which aims to address biodiversity loss, restore ecosystems and protect indigenous rights. The plan includes specific measures to halt and reverse nature loss, including putting 30% of the planet and 30% of degraded ecosystems under protection by 2030. We will contribute to this target and meet our Nature Positive by 2030 commitment by ensuring we achieve biodiversity net gain (BNG) on all our relevant projects, and by establishing Science Based Targets (SBT) for Nature to ensure our other indirect impacts, such as those from our supply chain are addressed.

Biodiversity net gain

BNG is an approach to development that aims to leave the natural environment in a measurably better state than it was beforehand.

Costain already requires all our relevant contracts that have a direct impact on habitats to measure the impact and target a 10% net gain in biodiversity. Each project must also prepare a biodiversity net gain plan which details how they will work with design partners, customers and stakeholders to achieve the target. Our target aligns to the Environment Act (2021) which will be formally implemented for the majority of development projects in 2023.

To help us in managing BNG we have created a Geographic Information System (GIS) based biodiversity tool to digitally map biodiversity value to display, quantify and assess impacts on biodiversity, and model and plan to achieve a gain in biodiversity. The GIS application combines the user-friendly visual impact of GIS with DEFRA's Biodiversity Metric 2.0 (now superseded by 3.0), the standard methodology for quantifying biodiversity. The tool then allows for landscaping designs to be quickly mapped to understand the outcome in biodiversity units and make changes to meet the customer's biodiversity impact targets.

Establishing science based target for nature

In 2021 we joined the SBT for nature corporate engagement programme and in 2022 we made the initial steps towards setting SBTs for nature. The aim of setting science based targets for nature is to transform economic systems and protect global commonalities such as air, water, land, and biodiversity. Impacts upon nature are primarily driven by the impact of business leading to nature loss and climate change. By setting targets through the SBT network, companies can work to limit nature loss, while additionally cutting emissions to reach net zero goals, creating healthy and sustainable economies.

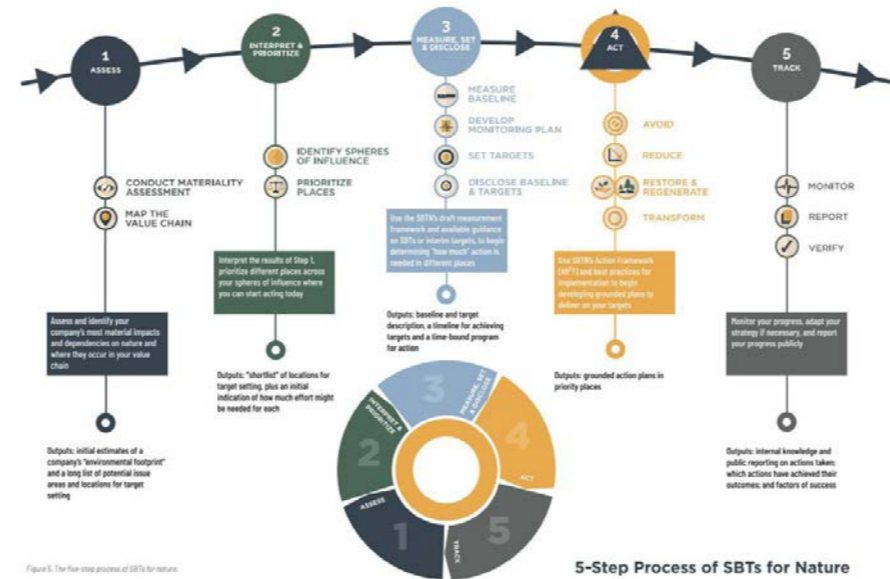


Figure 1: The five step process of SBTs for nature.

Figure 1: SBTN five step process

Initial guidance¹ for businesses to set nature-based targets was released in September 2020. This outlined a five-step process shown above consists of:

1. Assess and Identify – The business' highest impact and where they occur within the supply chain (direct operations, upstream, or downstream).
2. Interpret and Prioritise – Where the highest value of influence should be directed.
3. Measure, Set and Disclose – Create a baseline, set targets, and track against this.
4. Act – Take steps to reach targets by implementing best practises.
5. Track – Monitor and report accordingly. This must be verified by SBT network and made public.

From September 2022 Technical Guidance² was released to corporate members, which provided refined tools and guidance for steps 1 and 2. The first public version will be released for setting targets for nature in March 2023, which will be the first opportunity for companies to set SBTs for nature. We completed a review of the guidance and made progress with steps 1 and 2 to identify and assess the impact of business activities on nature. Early findings found that the process is not yet tailored to the construction industry, and data limitations in the supply chain were found to be a key challenge. Opportunities to close data gaps have been identified and in 2023, our plans are to engage with the supply chain to work towards closing these gaps. This will make future assessments, once science based targets for nature guidance is finalised, a better reflection of our downstream and direct operational impacts on nature. In 2023 we will further develop and publish our Nature Positive plan, using the SBTN principles to clearly define a strategy to achieve our 2030 goal of being nature positive.



A30 Chiverton to Carland Cross

Currently the A30 project is predicted to achieve an increase in biodiversity of over 20%. The on-site baseline was 560 habitat units and on-site post intervention once landscaping is completed is 670 habitat units, resulting in a net gain of 109 habitat units.

To ensure the preservation of heathland on the A30 project, a team of nationally recognised environment consultants from Truro-based Spalding Associates undertook an operation to safely gather up the reptiles before the heathland itself was cut into turfs and transferred across the road to a location close to a Site of Special Scientific Interest at Newlyn Downs. To gather the reptiles, squares of roofing felt are placed at regular intervals. The felt is warmer than the surrounding vegetation which attracts reptile species, and ecologists can then hand-catch any reptiles sheltering underneath before relocating them.

The new habitat was successfully completed in time for winter when reptiles' activity slows, and the various species are making good use of the specially created reptile hibernacula. Following the reptile removal, and following Spalding Associates' guidance and methodology, species-rich areas of heathland have been excavated and translocated to a new area north of Carland Cross.

The heathland contains precious flora species, including ling heather, dwarf gorse, and bristle bent grass that provide a vital habitat for invertebrates and ground nesting birds, from the meadow pipit to bees, and its preservation will maintain biodiversity in the area for many years to come.

Around 370 species of invertebrate were recorded within the heathland, among them seven nationally scarce species, such as the leaf and rove beetles, theridiid spider, leaf weevil, dolichopodid fly and leafhopper.



Find out about the A30 project / www.costain.com/news/news-releases/costain-delivers-traditional-cornish-hedging-on-a30-upgrade/

¹ <https://sciencebasedtargetsnetwork.org/wp-content/uploads/2020/11/Science-Based-Targets-for-Nature-Initial-Guidance-for-Business.pdf>

² <https://sciencebasedtargetsnetwork.org/wp-content/uploads/2022/09/Technical-Guidance-for-Step-1-Assess-and-Step-2-Prioritize.pdf>



Who we are and how we operate	15
Health and safety	16
Wellbeing	17
Equality, Diversity and Inclusion	18
Community and Customer	20
Social value	21



Social

Blaydon Training Academy

Our social 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

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 customers 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.



Who we are and how we operate

Maximising opportunities to support Costain employees

We have a clear purpose to improve people’s lives, not just through the services we provide, but in the way we operate and how we support the communities we work in. We are committed to prioritising the safety of our colleagues and members of the public, enabling our people to be at their best and focusing on wellbeing. We also ensure that Costain is fully inclusive and accessible to everyone

Providing a high standard of service to all our customers 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.

Driving our strategy

We have circa 3,500 employees and a further 13,500 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.

Through this section of the report, we have outlined our key improvement plans and what we are doing to ensure our targets are achieved in line with our strategies. These include Equality, Diversity, and inclusion (EDI), Talent Development, Health Safety and Wellbeing, Social Value, and Community Engagement. For the first time, we are sharing our 2022 Ethnicity Pay Gap results, to which we committed in our Inclusion Strategy (detailed in page 18).

External recognition

We are proud to be named a Stonewall silver employer, a Disability Confident employer, a member of Working families and BITC membership for Race and champion membership for Wellbeing.

Listening to better inform our improvement strategies

Our employee forum, Your Voice was introduced in 2021 to provide a formal mechanism to seek employee views on important workplace matters and to listen to ideas and innovations.

We launched our first ever women’s survey led by our Women’s Network. The data provided valuable insight into how we can improve opportunities and how we can better our development plans to align to the needs of the women in our Company.

In November 2022 we launched a Company wide engagement survey with Best Companies™ scoring a one-star rating. We saw fantastic scores regarding Health and Safety, with 93% of employees agreeing that health and safety is taken seriously. 82% of our employees think we provide a great service to our customers and 88% of employees believe they can make a valuable contribution to the success of Costain.



We also identified a number of improvement areas which we will focus on in 2023 including: reviewing fairness and transparency of pay; improving our systems and processes; and increasing visibility of career opportunities and development.

Cost of Living support

We have recognised that the cost of living was, and is, significantly affecting many of our people and have taken several actions to give as much support as possible, including one-off payments, an employee discount scheme and a financial education programme.

We have also launched a cost of living community for colleagues to share practical tips and advice. Our response to the cost of living crisis will be for the long-term and we are continuously reviewing the support we can offer.

Maximising development programmes to improve workforce management



As part of our unlocking talent initiative, in 2022 we continued to develop our focus on building high performing teams, strengthening our leadership capability and creating opportunities for our people to grow their careers.

In 2022 we ran the following development programmes:

- We have launched a new Frontline Supervisor programme to help develop the next cohort of managers.
- We have reviewed and relaunched our Project Director Excellence programme to also help us develop a strong pipeline of future Project Directors.
- Harnessing the talent of future senior leaders was an area we felt we needed to address. So, we have added a new Accelerator Programme, which focuses on building strength across our senior leaders.
- We have also increased our focus on succession planning for our executive board, mobilising talent across Costain.

These new programmes are complementing our existing development programmes which include the emerging leaders programme, graduate and apprenticeship scheme and the Henley Masterclass programme.

We have a formal talent review process to measure the performance of employees along with a mid-year career development review to discuss career aspirations and learning opportunities. All line managers are encouraged to have regular one to ones with their direct reports.

47%
of our graduate cohort are from ethnic minority backgrounds

44%
of our Emerging Leadership Programme were female

18%
of our Project Director Excellence are from ethnic minority backgrounds

23%
of our apprentices were female

£2.5m
spent on learning and development

80,000
training hours completed

Menopause: Supporting our employees



We signed up to the menopause workplace pledge in 2022 to further our support for employees experiencing the menopause and take positive action to ensure everyone is supported.

In addition to this, we also joined the Bupa menopause plan which is an additional Bupa health insurance offer which provides women with an appointment with a menopause trained GP. By joining this plan, it enables Costain employees who are not signed up to our current Bupa membership plan to use this service. We have received fantastic feedback from employees that have had transformative support through the plan. In 2022, we hosted a number of events to further support our employees including:

- Menopause lunch and learn where a member of the Bupa team hosted sessions on how they can support women going through the menopause. The event was well attended and a number of male allies also joined the call to better understand how they can support their colleagues.
- We released a suite of new guidance for line managers under 'Guide to menopause'. The guidance captures and identifies how line managers can support their direct reports and recognise how it might affect them at work, so it isn't misunderstood as poor performance.
- We released a number of blogs on our intranet page to discuss and raise further conversations on the menopause.



We published A Manager’s Guide to Menopause and A Manager’s Guide to Reasonable Adjustments.

Health and safety

Protecting our workforce, members of the public and our wider stakeholders is a core value for Costain.

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.

Our approach

Our ‘eliminating harm’ approach highlights our ambition to remove the risk of harm from all our activities. This is reinforced by our Group values and behaviours. We pride ourselves on exceeding the highest recognised standards and performance and continually seek to drive improvements. We use innovation, technological advances or alternative methodologies combined with diversity of thought through diverse teams. This is the Costain Way and the fundamental principles behind our Wellbeing, inclusion, innovation, Safety and Environment, or ‘WiiSE’ strategy.

Wellbeing is key to having a happy, effective, and sustainable workforce that is always at its best. In support of this, wellbeing sits at the forefront of WiiSE as a headline focus for the business. This continues to drive our imperative for each of our team members to be healthy, fully energised and working in a psychologically safe environment where they are able to fully achieve a suitable and sustained work-life balance, supported by a dedicated wellbeing network across the Group.

2022 has seen the continued roll-out of the unique Costain ‘Learning Organisation Model’ which in essence, brings together all of the elements of operating as a mindful organisation to ensure Costain is set-up to succeed, has robust assurance and use every learning opportunity supported by sound change management processes.

Safety – workforce and public

The protection of our people, our stakeholders and all those affected by what we do is at the heart of our business. Our ‘eliminating harm’ approach was initially launched in 2019 and continues to focus on the removal of harm as a business as usual imperative.

Our indicators show that workforce engagement is high and injury rates low, mirroring our previous record-breaking years. This is testament to our ongoing commitment to drive a step change in performance. The end result is an industry leading 2022 Accident Frequency Rate (AFR) of 0.05 achieved from more than 32 million hours of work from across our varied operations. This lagging measure is not our focus for attention. We also use leading indicators to drive our leadership and wider behaviours in support of a culture that reinforces our WiiSE objectives and targets. These objectives are chosen because of their high impact potential while using our wide ranging portfolio of data to both predict and analyse trends at Group and contract level. This provides early warnings for opportunities to improve, rather than focusing on events once they have taken place.

We recognise the importance of leadership and behaviours in creating a positive health and safety culture. Therefore, we continue to roll out our innovative, interactive training specifically developed for our senior leaders which includes three yearly refreshers. The training aims to build the principles of ‘mindful organisations’ into all senior leader’s thinking and behaviours. We also continue to offer a more diverse but equally powerful version, accredited by the Institution for Occupational Safety and Health (IOSH) for middle managers, supporting the key messages delivered to leadership.

Our investment in a bespoke incident investigation training course was developed in 2019 in partnership with Cranfield University (world leaders in transportation related accident investigation and understanding) has also remained. Initially offered to senior members of the safety, health and environment team, the cadre now includes wider staff members from associated disciplines to give a fuller understanding of root cause analysis and incident investigation processes, making our assurance and learning organisation methodology even more robust.

Our ‘WiiSE by Design’ education programme which was initially aimed at designers helped to cement the eliminating harm thought process into design activity has now been offered to our external design partners and other disciplines. This interactive two-day course reviews the key principles and actions required to eliminate wellbeing, safety, carbon and environment related hazards while promoting sustainable solutions.

The design community is a fundamental element to the future de-risking of our business and our outputs, so 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 work, plus our focus on enablers to drive the right behaviours, workforce engagement and the utilisation of leading metrics has resulted in our all-accident injury frequency rate reducing by 52% over the past five years.

0.05
industry leading accident frequency rate in 2022

0.09
lost time injury frequency rate

c.32m
hours worked in 2022

16
reportable accidents in 2022



Safety procedures and working practices

As previously reported, in July, the Group experienced a fatality on one of its rail contracts, and following our investigation, to prevent a recurrence we are implementing a number of recommendations across our business including changes to current industry practice.. The Board received full reports on the Gatwick fatality, and continue to receive progress updates on progress and legal proceedings. Members of the Board visited the Gatwick site in the months after the fatality to offer support and reported back to the Board.

93%
of employees believe Health and Safety is taken seriously at Costain

Wellbeing

Championing wellbeing: Being at our best while influencing and supporting others to be the same

Across the UK, we have circa 3,500 employees and a further 13,500 working in our supply chain delivering leading edge infrastructure solutions to meet national needs. To do this successfully, we must ensure our people are able to fulfil their potential and work at their very best both mentally and physically, every day.

Our dedicated BeWell, BeSafe and BeGreen plans incorporate safe and healthy by design principles into our business as usual occupational health and wellbeing activities into one.

Wellbeing Network

We have a dedicated, cross-Group Wellbeing Network with our Group commercial director acting as a chair supported by contract-based wellbeing champions, and a ratio of one Mental Health First Aider for every 15 employees. Those offering help and support to others are supported themselves as part of our Group-wide nurses and occupational health provision.

Mental Health at Work Commitment

We stringently follow the framework set-out in the Business In The Community (BITC) founded 'Mental Health at Work commitment' to improve standards of mental health care among the workforce and our supply chain. Our proactive support of leading bodies such as BITC helps us to lead, drive and influence, but also learn from others and their experiences. Our 'line manager's toolkit' and recent Leadership Impact Days help managers appreciate the value of regular communication, consultation and early intervention when managing and supporting employees. Working with our colleagues to help develop a job which is good for them is essential and this is reflected in our Company survey where 84% of employees agree that they that they have a say in how to do their job.

We have shared our learning model and approach with many other organisations both within global webinars and in a more informal local setting to help others make advances in health and safety management. We regularly and openly do this in areas such as our learning insights, management principles, our SHE strategic approach to a wide range of stakeholders, and members of our team actively and voluntarily support mentoring schemes such as that offered by IOSH for which our Group SHE strategy director is currently president and chair of council.

We continue to be actively involved in a range of leading best practice groups and industry influencing organisations such as IOSH. Group commercial director, David Taylor also sits on the Business in the Community's Wellbeing Leadership Team. David's focus is to position health and wellbeing as strategic boardroom issues with a particular focus on mental health; driving collective action through evidence-based, practical solutions.

Being at our best means creating a happy, healthy, psychologically safe, respectful and safe work environment.

Focusing on mental health

Over the past year there has been a notable focus on wellbeing and mental health on one of our frameworks. This has included events with members of the Framework, the customer and suppliers.

The Framework has a dedicated wellbeing calendar, which is developed and maintained by the Framework office manager. The calendar is shared with Framework staff and includes details of planned wellbeing events and wellbeing focusses for each month, which is often shared with the customer and supply chain.

Regular events include the monthly Brew Mondays which take place on the first Monday of each month and provides an informal online drop-in for anybody to join and chat. There is also a monthly online quiz which is well attended. These session supplement other informal meetings and catch-ups.

There are 16 MHFA within the Framework which is a voluntary role where full training is provided. Framework MHFAs have a monthly meeting to discuss the previous month and areas of focus for the month ahead. Display boards with information about MHFAs are located on site and in the office.

Over the past six months the MHFAs have organised events including an external presentation by Andy's Man Club, a men's suicide prevention charity which was attended by the customer and supply chain. A webinar was held to mark World Mental Health Day which was also attended by the customer, during which team members bravely shared personal stories and signposted the many ways you can get help.

Other events have included in person catch-ups including guided walks which have been well attended both by Framework members and customers.

The customer is very proud of the way members have come together in the past year and has a busy calendar full of wellbeing events to look forward to in 2023.



Find out more / www.costain.com/what-we-do/water/



Samaritans 24/7 Campaign



Samaritans 24/7 campaign

In 2022 we launched a fundraising campaign raising over £57,000 in support of our charity partner Samaritans.

Costain and our supply chain colleagues took part in a broad range of events throughout the year, some of which have been outlined below:

- For every employee who completed the 2022 Engagement Survey, Costain donated £2 to the Samaritans. This raised £4,800, which means Samaritans are able to answer 960 potentially lifesaving calls for help.
- Monica Ferguson, head of supply chain (water) participated in the Great North Run on 11th September to raise money for the cause.
- A number of our employees are Listening Volunteers for the Samaritans, responding to calls for help to support someone struggling with their mental health.
- Our United Utilities MSP contract set up a fantasy football league, with every contestant donating £5 to the Samaritans.
- Our employees took part in the Supply Chain Walk and Talk event in the Peak District. We've had lots of positive feedback about the event and the team raised an impressive £12,109 for our campaign.
- The team from the A30 Chiverton to Carland Cross participated in the Samaritans National Walk in Cornwall. The team raised a grand total of £2,086.
- Our offices across the country participated in our Queen's Jubilee fundraising celebrations which included buffets, cake sales and Jubilee parties.
- Our teams took part in Brew Monday with employees checking in on each other and having a coffee and a catch-up.





Equality Diversity and Inclusion (EDI)

In our Inclusion strategy, we set a goal to have a workforce that is representative of the communities in which we operate by 2030.

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.

Below we have outlined our 2022 statistics for female and ethnic representation:

Female representation				
Level	Actual 31 Dec 2021	Actual 31 Dec 2021 (Number)	Actual 31 Dec 2022	Actual 31 Dec 2022 (Number)
Board	38%	3 of 8	50%	4 of 8
Executive Board	56%	5 of 9	62.5%	5 of 8
Senior management	38%	11 of 29	40%	12 of 30

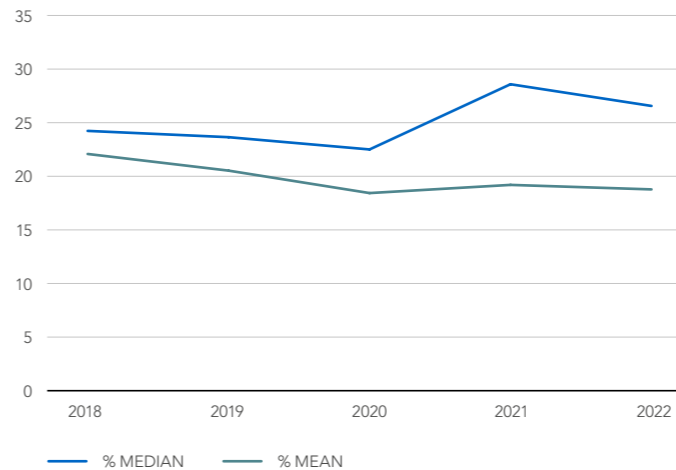
Ethnic representation					
Level	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	6 of 8	75%	4 of 4	7 of 8	87.5%
Mixed/Multiple Ethnic Groups	1 of 8	12.5%	0 of 4	0 of 8	0%
Asian/Asian British	0 of 8	0%	0 of 4	1 of 8	12.5%
Black/African/Caribbean/Black British	0 of 8	0%	0 of 4	0 of 8	0%
Other ethnic group, including Arab	1 of 8	12.5%	0 of 4	0 of 8	0%
Not specified/prefer not to say	0 of 8	0%	0 of 4	0 of 8	0%

Gender Pay Gap Report

We are pleased to report that in 2022 our gender pay gap has reduced by 2.07%.

Our focus on female development to increase the number of women entering upper, and upper middle quartile salaries is responsible for the positive reduction in our pay gap. This has been achieved with renewed focus on our internal development programmes with 41.67% of our Accelerator Programme being female, and 44.44% of our Emerging Leaders Programme being female. (Further details can be found in our gender pay gap report).

Gender Pay Gap



Ethnicity Salary Quartiles

We are delighted to see an increase in the population of ethnically diverse colleagues to 14.5% (statistic from December 2022). However, we do have a pay gap between White colleagues and Black, Asian and other Minority Ethnic colleagues.

For the first time, we are sharing our 2022 Ethnicity pay gap results, to which we committed in our Inclusion Strategy.

The ethnicity pay gap is a measure designed to show the difference between the gross hourly earnings between White colleagues and Black, Asian and other Minority Ethnic colleagues. This is different to equal pay, which compares pay for people doing the same work.

Positive action

We are pleased to see an increase in the population of ethnically diverse colleagues to 14.5% and 47% of our 2022 graduate programme intake was made up of colleagues from Black, Asian and Minority Ethnicities. In 2023, we will be focusing on three key areas which include: increased mentoring to maximise development and learning opportunities; diverse hiring panels when recruiting new employees; continuing to encourage colleagues to apply for talent programmes via line managers and the REACH network.

Overall pay group	All White 2022	All Asian 2022	All Black 2022	All other Minority 2022	Unknown/prefer not to say
Median	N/A	12.12%	20.28%	15.5%	5.14%
Mean	N/A	12.87%	22.15%	17.4%	-2.97%



Find out more / www.costain.com/our-culture/equality-diversity-and-inclusion/

Equality Diversity and Inclusion (EDI) continued

Continuous Improvement

Building on our Active Allyship programme launched in 2021, we hosted another two sessions in 2022 and also added the training as a module on our MyLearning platform to maximise opportunities for employees to complete the training.

We continued our Mutual mentoring programme following our pilot in 2021, with 15 mentors and 15 mentees participating in the scheme with members of our Religion, Ethnicity and Cultural Heritage (REACH) and senior leadership.

We also signed the Women in Defence Charter to actively support the progression of women in senior roles in the defence sector and increase opportunities for women entering the industry.

Our pledges



Find out more about our 2022 Inclusion Strategy / www.costain.com/our-culture/equality-diversity-and-inclusion/

Network Updates

We believe our employee networks are integral to raising awareness, supporting and educating our colleagues across the spectrum of diversity and continue to drive change. In 2021, we launched our Disability and Well-being (DaWN) and Services and Services Families Networks and continued to grow our membership of our Women's, REACH, LGBTQ+ and allies, and Parenting and Carers networks.

Just some of the exceptional work our Networks have done is outlined below:

- **Our Parenting and Carers Network** began hosting lunchtime catch-ups to discuss opportunities and challenges faced such as cost of living, support during the school holidays, flexible and dynamic working. They have continued to advocate dynamic and flexible working opportunities to support carers and parents as well as update and clarify policies. The Network also hosts monthly lunch and learns. Topics have included: becoming a parent or carer; career progression and personal development; and workshops on how line managers can be a better ally to parents and carers.
- **Our REACH and LGBTQ+ Networks** collaborated for National Inclusion week to host a joint lunch and learn on the Power of Identity. They explored whether our identity is really who we are, with guest speaker, Sathya Bala. The REACH Network also released articles on key dates including: Black History Month, remembrance of the slave trade and its abolition, Ramadan and Diwali.

- **Our DaWN Network's** continued efforts to ensure full accessibility and inclusivity to employees saw them win two awards in 2022. They also hosted a successful awareness event for International Day of Persons with Disabilities in November 2022. The Network also released a series of podcasts exploring some personal experience on topics such as rejection sensitivity, recognising success, and ally fear of making mistakes.
- **Our Women's Network** hosted Costain's first ever Women's engagement survey, shaping our action plan, and hosted numerous events including International Women's Day, Menopause Awareness, Find Your Voice speaker session, and Ada Lovelace quiz.
- **Our Services and Service Families Network** continues to support ex-service personnel return to civilian life through CV and interview support as well as mentoring. In September we also re-signed the Armed Forces Covenant at the Ministry of Defence to show our commitment to supporting reservists, veterans, service leavers and their families.

Manchester Pride August 2022

In 2022 the first Manchester Pride after COVID-19 was hosted, and members of the Costain team took part in the event to campaign for LGBTQ+ equality across the United Kingdom. The team had an amazing day and reaffirmed our commitment to equality and equal rights.



Inclusion Leadership Day

In 2022, we hosted our first inclusion themed Leadership impact day. We presented and promoted conversations around Active Allyship, inclusive teams and psychological safety.

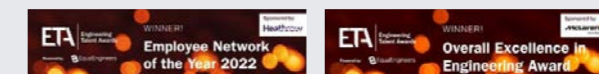
As part of the day we published our Little Book of Respect, that has been created by our employee networks to:

- Provide insights into the experiences of under-represented and marginalised groups.
- Show how we can use language and platforms to create an inclusive workplace.
- Detail how employees can get involved with our six employee networks.

We have had some fantastic feedback from everyone involved, in particular one of our customers who mentioned that they were impressed by the initiative and that they are going to use it as best practice across their projects going forward. A second customer built an inclusion moment into their meetings off the back of the Impact Day, and one of our Defence customers said that the day raised the brand and impression of Costain. For many, it was inspirational to hear each other's experiences and start to break down barriers and connect with each other on a more personal level.

Recognition at the Engineering Talent Awards

We won two awards at the 2022 Engineering Talent Awards including Employee Network of the Year for our DaWN Network and Overall Excellence in Engineering Award. It was given to us due to DaWN's incredible outreach programme focusing on neurodiversity and autism. The Network was also recognised for leading the initiative to improve the standards for inclusive engineering design, and embedding this into our design process and our designer training.



Community and customer focus

Community and customer engagement

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

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. To reach the widest possible audience, we host virtual launch events online with live chat functions for the community to ask questions and better understand the schemes we are working on.

To measure and validate our performance as a responsible neighbour we participate in the Considerate Constructors Scheme (CCS), requiring all of our construction projects with a duration longer than six months to take part. We are proud that we consistently outperform the construction in the scheme, with our score (out of 50), considerably above the industry average for the past decade.

Average CCS score	2022	2021	2020	2019	2018
Costain	45.2	44.8	44.8	42.3	43.3
Industry	39.8	38.2	37.7	36.8	36.1

Community Engagement and Social Value on RDP North

We are currently in a Regional Delivery Partnership (RDP) North with Jacobs, undertaking a number of projects for National Highways.

As part of the programme we have undertaken numerous social value events outlined below:

- We hosted a two-week Prince’s Trust ‘Get into Construction’ Programme for eight individuals with a focus on digital and green skills. We worked closely with our supply chain to maximise learning and training opportunities. Following the programme, over 50% went into employment with our supply chain within three months.
- In January 2022, we set up the first Building Heroes On-Site Groundworks and Civils Training Academy in the Highways Industry. The academy is supporting service leavers and veterans to train and develop skills for a career in construction. Running six cohorts per year, each training programme is an intensive five-week course covering both practical and theory-based construction skills. The course content is focused on them achieving Nation Open College Network accredited Streetworks Excavation and Reinstatement and L1 Award in Health & Safety in Construction enabling them to achieve their Green CSCS Card. 43 service leavers and veterans have joined the programme, 82% of those completing the programme have gone onto further construction related training and employment.
- As part of our sponsorship of the University Technical College South Durham we created a maths challenge for students in Year 10. The students visited the Allendale compound and materials laboratory to better understand real life challenges in the engineering sector.
- To deliver interventions on a variety of topics including safety, environment and careers, we work with primary schools in the local area to deliver bug hotels and wildflower engagement activities.
- We are leveraging the corporate partnership that Costain developed with U-explore, who provide START (an online careers platform designed to connect 11 – 18 year olds). START supports young people with their future careers potential by providing software, reporting and support to our key schools.
- We worked with Gateshead College to welcome two Digital T-Level students onto the RDP North project to gain on-site experience and skills.
- In conjunction with New Futures Network and our supply chain, we have visited HMP Northumberland to talk to people nearing release about the opportunities that are available in construction.



In total, the RDP North team has completed:

123 engagement events

2,134 apprenticeship weeks

599 training Weeks

15,867 local students engaged

17 graduates employed

153 work experience placements





Social value

Maximising social value opportunities

Integrating with the communities that Costain serves 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 the Procurement Policy Note 06/20 in January 2021, we have updated our social value policy to align to each theme, prioritising social outcomes in line with Government recommendations.

Delivering social value is not a new concept in Costain, rather a new term for something we have been supporting customers 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 customers to better understand the value that their infrastructure/ service provides to society. Our consultancy team was shortlisted for the Company of the Year (Large); Inclusive Employer of the Year; and Best Social Value Project of the Year at the Consulting and Engineering Awards Consultancy.

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 customers and peers. For this reason we have 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 customer-led tools to report and calculate our social value.

Partnerships

Being connected with the right partners is invaluable to maximising social value. We are proud members of BITC and patrons of the Prince’s Trust. We have four senior leaders serving as regional board members and two Executive Board colleagues actively participating in campaign leadership roles with BITC. We have also partnered with START, a career support website designed to connect with 11–18 year olds, helping them to understand their future career potential.

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 and communities.

In 2022, to maximise outcome opportunities, we introduced a volunteer hub which can be accessed by all employees. Opportunities can be filtered by date, type, discipline of profession required so that everyone has the ability to find the right opportunity for them to support. Every employee has two days volunteer leave and through the volunteer hub can find local volunteer opportunities more easily.

Values Toolkit

We have played a leading role in the development of a Values Toolkit, a government backed initiative designed to change the way the construction industry thinks about and measures value. This was in partnership with more than 200 experts from across the industry. Costain has incorporated the Values Toolkit process and suite of tools into social value consultancy planning and have two certified practitioners that help our customers make decisions that consider the environment, social and economic impact.



Find out more / www.costain.com/news/insights/how-to-value-social-outcomes-in-the-water-sector/

£337k

contributed to charitable causes in 2022 (fundraising and donations)

3,300

hours spent volunteering in the community

337

disadvantaged young people supported with their employability skills

984

hours of spent on school engagement initiatives

113

apprentices working directly for Costain

Creating a lasting legacy through Social Value



Costain worked with a major utility to develop an outline ‘Framework for the future’ model that can be used for their future asset delivery. A series of outcome statements were developed across the four capitals of natural, production, social and human. The outcomes were then prioritised, and customer, value and risk profiles developed using the values toolkit.

We also carried out an in-depth research project for a large public health organisation. Using bespoke digital tools, health and wellbeing data was analysed around each site by Lower Layer Super Output Area. We included other layers including gender, race, and living arrangements, along with deprivation indices such as education and employment. These layers enabled a broad picture to be developed concerning which stakeholder groups around each site required more in-depth consultation through field research. From there, it was established what activities (and outcomes) were of the greatest measurable social value.

Future Generations



Wales is leading the world with their Well-being of Future Generations Act (WBFG) Act 2015 legislation. Over the last few years. We have developed a fantastic relationship with the Future Generations Commissioner for Wales (Sophie Howe), as demonstrated by Sarah Bowles sitting in the advisory board of the Future Generations Leadership Academy (FGLA), and the participation and the 2021/22 cohort of Manuel Cortes Moreno, supported by Sam White. Furthermore, Sarah, Manuel and Hywel Woolf are nominated on the Future Generations Changemaker 100 List.

Our strategy aligns with the Sustainable Development principles pushed forward by this legislation, with Sam and Manuel currently working to embed the learnings of the FGLA. The first step of this work was to evaluate our performance against the WBFG Act by means of the Reporting Framework for Business developed by the Office of the Future Generations Commissioner. This activity positions us as the first large organisation to use this tool. Moreover, during 2023 we are committed to:

1. Reviewing and updating our processes (i.e. Value toolkit) to reflect Sustainable Development principles and influence decision-making.
2. Delivering practical changes into our Welsh contracts regarding Welsh Language and Culture.
3. Understanding the necessary steps to become an ambassador organisation of the Act.



Responsible business, governance and ethics	23
Responsible procurement and supply chain management	24
SASB disclosure alignment	25
GRI table	26
About this report	28



Governance

Our governance commitments:

Ethical conduct

Responsible procurement and supply chain management

Transparency in our reporting

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 out 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.

At Costain, responsible business goes beyond doing the right thing, covering a broad topic of ESG issues.

Responsible business, governance and ethics

Operating responsibly is integral to all that Costain do

Governance

The Board has overall accountability for ESG related matters. The executive board is responsible for ensuring that policies and strategies are aligned with our wider business objectives. The Board annually approves our ESG priorities and holds the executive board accountable for their performance.

We have leadership groups that are responsible for reporting our ESG performance to the executive board and hold direct responsibility for implementing and delivering policy across the organisation. In 2023, it is proposed that an ESG Committee be formed to provide governance for the delivery of our planned new sustainability strategy. Reporting into the ESG committee will be our existing Modern slavery working group, community relations forum and the climate change steering group.

Executive directors and the wider senior leadership team are eligible for annual bonuses to incentivise 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.

Management system

We use the Costain Way – our 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 managed 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).

In 2022, we were recertified for the following standards: ISO 22301 (business continuity), ISO 27001 (information security), ISO 45001 (occupational health and safety) and ISO56002 (innovation management).

Audit

In 2022 we restructured our internal audit function, outsourcing the programme of risk-based audits to Mazars. 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.

Policies

We annually review our policies which are prominently placed on www.costain.com so that our stakeholders have easy access to them. We also host on our website a supplier code of conduct, which sets out in more detail the specific requirements of doing business with us.

Each policy has a specific senior leadership owner, and all set out how we expect our people, partners, and suppliers to behave and operate when representing us. Of our 19 policies, all have a direct relevance to ESG matters.

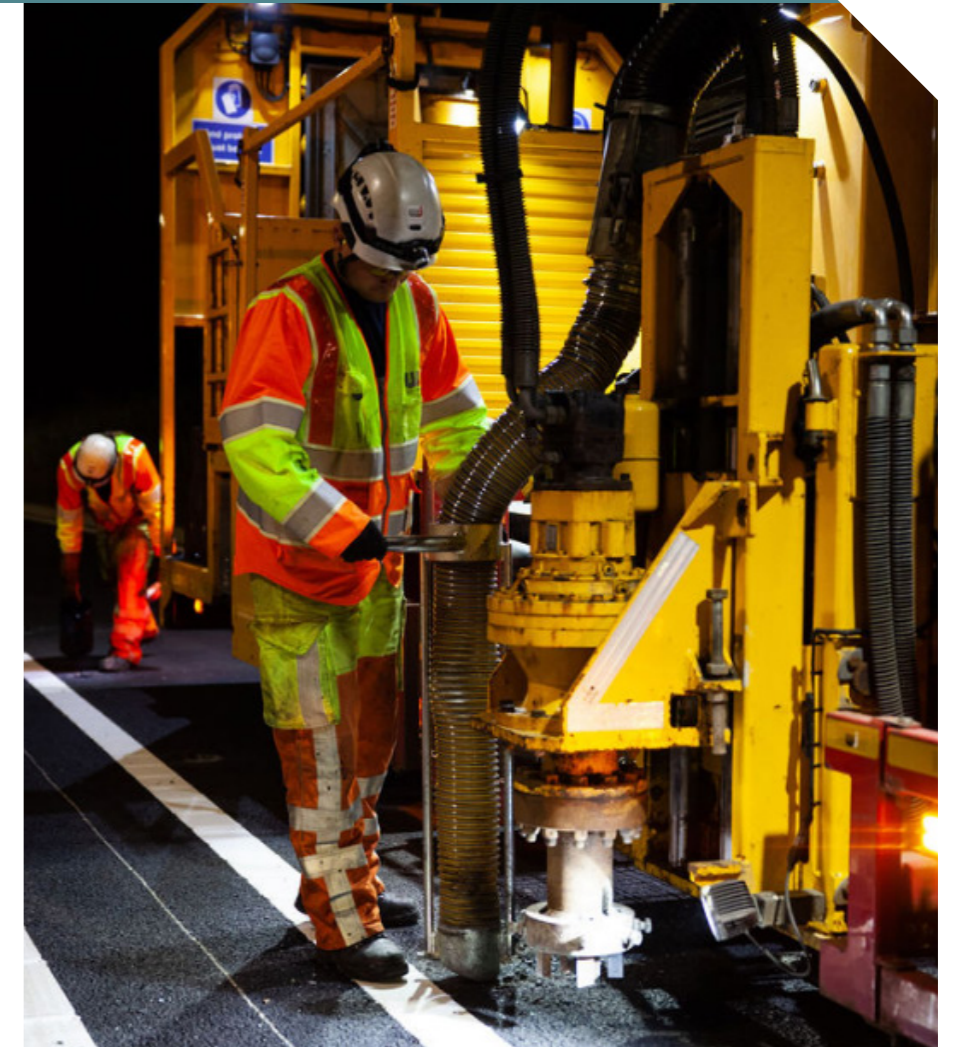
Ethical conduct

We believe in setting clear expectations for our people and especially in regards to ethical conduct. Annually our employees must complete our Code of conduct training, setting out not only the legal aspects of matters such as bribery and corruption, but also applying the criteria of our various ethical related policies. In 2022 over 3,100 employees (97%) completed the mandatory training.

Ethical labour

The combination on Brexit and COVID-19 led to extensive material and labour shortages in 2021, which were further amplified throughout 2022 due to the Ukraine conflict and the subsequent cost of living crisis. Due to an accumulation of these factors there is an even bigger need to recruit workers to meet the required outputs as investment in infrastructure continues to be prioritised. These societal issues present a challenge to not just us, but the wider construction industry.

In 2022 we worked closely with our supply chain and industry working groups to best understand and minimise the risk of unethical labour practices occurring. We are dedicated to tackling unethical labour practices, including instances of modern slavery through our policies, practices, audits, training, and on-going reviews. We publish an annual modern slavery and human trafficking statement setting out the actions we have taken to combat these challenges.



Paying a fair living wage

In 2021 Costain committed to pay all employees as a minimum in line with the Real Living Wage (including where relevant the London Living Wage).

Following a plan of targeted action as of April 2022 all applicable Costain employees met this threshold as per the criteria of the Real Living Wage Foundation.



Find out more / www.costain.com/our-culture/modern-slavery-transparency-statement/



Responsible procurement and supply chain management

Costain has 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.

We are focused on delivering engineering solutions that are sustainable, efficient and practical while delivering projects in a safer, greener, faster and more efficient way. To achieve this, our business model relies on maintaining a specialist supply chain of circa 4,000 companies, who we spend over £1billion with annually. 96% of our direct spend is with UK registered companies.

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 us.

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 maintained their high performance levels, with an average review score of 73% in 2022 (74%:2021).

Supporting small businesses

In 2020, we set ourselves a target to spend £1bn with voluntary, community 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 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 2022, we met this target with over 38% of total spend with SMEs.

	2022	2021	2020
Spend with VCSEs and small businesses	£322	£322m	£342m
SME spend	38%	38%	43%

We continue to invest in the pipeline of smaller business, ensuring that we have a healthy and diverse supply chain. In 2022 we hosted 14 SMEs 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, 304 SMEs have now completed the training programme, with training reaching over 7,922 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, fairness, inclusion and respect. We are also a member of the schools working groups for carbon, social value, labour and plant.

Prompt payment code

We remain a committed member of the Prompt Payment Code and ensured that 91% (2021:87%) of suppliers were paid within agreed terms.

Criteria of the code	Costain 2022 performance
95% of all invoices paid within 60 days	98%
95% of invoices from businesses with fewer than 50 employees within 30 days	86%



Sustainable Procurement Prioritisation Matrix

Our Procurement and Supply Chain Team have developed a sustainable procurement prioritisation matrix to accurately capture the impact level of individual work packages.

The matrix aligns to ISO 20400 requirements and Supply Chain Sustainability School's recommended approach. Impacts and risk are assessed against: embodied carbon, social impact, air quality, biodiversity, supplier diversity, modern slavery, waste and efficiency, employment and skills, circular economy, materials, and wellbeing.

The matrix provides an aligned end-to-end sustainable procurement approach that focuses on outcomes, and ensures we are asking our trades the most appropriate sustainability related tender questions that yield that highest impact. The matrix provides a range of benefits to our customers including: alignment to social value impacts; ability to adapt procurement processes to evolving community priorities; maximising opportunities to reduce embodied carbon; enhancement of biodiversity net gain, ecological preservation, driving of green skills and an outcome focused sustainable procurement approach.





SASB disclosure alignment

Costain has for the first time mapped its disclosures to the Sustainability Accounting Standards Board (SASB) Engineering and Construction services standard, outlined in the table below. SASB Standards guide the disclosure of financially material sustainability information by companies to their investors, using industry-specific standards. Costain’s reporting for 2022 is not fully consistent with the requirement for the SASB Engineering and Construction services standard and further is in development for future reporting.

Table 1. Sustainability Disclosure Topics and Accounting Metric

TOPIC: ENVIRONMENTAL IMPACTS OF PROJECT DEVELOPMENT		
METRIC	LOCATION/DATA	CODE
Number of incidents of non-compliance with environmental permits, standards, and regulations	P12	IF-EN-160a.1
Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	P11–13	IF-EN-160a.2
STRUCTURAL INTEGRITY & SAFETY		
METRIC	LOCATION	CODE
Amount of defect- and safety-related rework costs	P78 of our Annual report and accounts.	IF-EN-250a.1
Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents		IF-EN-250a.2
WORKFORCE HEALTH & SAFETY		
METRIC	LOCATION	CODE
(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	P16	IF-EN-320a.1
LIFECYCLE IMPACTS OF BUILDINGS & INFRASTRUCTURE		
METRIC	LOCATION/DATA	CODE
Number of (1) commissioned projects certified to a third-party multi-attribute sustainability standard and (2) active projects seeking such certification	(1)CEEQUAL - A465 BREEAM for Infrastructure (2) HS2 SCS and A30 Footbridge BREEAM for Infrastructure and DREAM Devonport 10 dock	IF-EN-410a.1
Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design	www.costain.com/what-we-do/services/	IF-EN-410a.2

CLIMATE IMPACTS OF BUSINESS MIX		
METRIC	LOCATION/DATA	CODE
Amount of backlog for (1) hydrocarbon related projects and (2) renewable energy projects	We are currently undertaking 20 hydrocarbon-related projects and 18 renewable projects.	F-EN-410b.1
Amount of backlog cancellations associated with hydrocarbon-related projects	0	F-EN-410b.2
Amount of backlog for non-energy projects associated with climate change mitigation	8	F-EN-410b.3

BUSINESS ETHICS		
METRIC	LOCATION	CODE
(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International’s Corruption Perception Index	Costain currently has no contracts outside of the UK.	IF-EN-510a.1

Table 2. Activity Metrics

METRIC	LOCATION/DATA	CODE
Number of active projects	145	F-EN-000.A
Number of commissioned projects	34	F-EN-000.B
Total backlog	111	F-EN-000.C



GRI table

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

GRI Standard	Disclosure	Location	Additional information/Omissions
General standard disclosures			
Organisational profile			
GRI 102: 1	Name of the organisation	Front cover	
GRI 102: 2	Activities, brands, products and services	Business model: P2 Annual report 2022: P2,10,15	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 2022: P2	
GRI 102: 5	Ownership and legal form	Annual report 2022: P187-192	
GRI 102: 6	Markets served	Annual report 2022: P2,12	
GRI 102: 7	Scale of the organisation	Annual report 2022: P24-27	
GRI 102: 8	Information on employees and other workers	Social: P15-19	
GRI 102: 9	Supply chain	Governance: P24	
GRI 102: 10	Significant changes to the organisation and its supply chain	Annual report 2022: P7-9	
GRI 102: 11	Precautionary principle or approach	About this report: P28	
GRI 102: 12	External initiatives	P3, 19, 20, 21	
GRI 102: 13	Membership of associations	P3, 12, 19,	
Strategy			
GRI 102: 14	Statement from senior decision-maker	Chief Executive Statement: P3	
Ethics and integrity			
GRI 102: 16	Values, principles, standards and norms of behaviour	Annual report 2022: P66-67	Additional information in 'About us' on Costain.com

GRI Standard	Disclosure	Location	Additional information/Omissions
General standard disclosures			
Governance			
GRI 102: 18	Governance structure	Annual Report 2022: P56-57	
Stakeholder engagement			
GRI 102: 40	List of stakeholder groups	Annual Report 2022: P31	
GRI 102: 42	Identifying and selecting stakeholders	Annual Report 2022: P30	
GRI 102: 43	Approach to stakeholder engagement	Annual Report 2022: P58-59	
GRI 102: 44	Key topics and concerns raised	Annual Report 2022: P58-61	
Reporting practice			
GRI 102: 45	Entities included in the consolidated financial statements	Annual report 2022: P188-191	
GRI 102: 46	Defining report content and topic boundaries	Materiality: P4	
GRI 102: 47	List of material topics	Governance: P4	
GRI 102: 48	Restatements of information	Annual report 2022: P33	
GRI 102: 49	Changes in reporting	N/A	No material changes
GRI 102: 50	Reporting period	About this report: P28	
GRI 102: 51	Date of most recent report	About this report: P28	
GRI 102: 52	Reporting cycle	About this report: P28	
GRI 102: 53	Contact point for questions regarding the report	About this report: P28	corporate.responsibility@costain.com
GRI 102: 54	Claims of reporting in accordance with the GRI Standards	GRI Index: P26	
GRI 102: 55	GRI content index	GRI Index: P26	
GRI 102: 56	External assurance	About this report: P28	



GRI table continued

GRI Standard	Disclosure	Location	Additional information/Omissions
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	TCFD: P6–8	
GRI 203-1	Infrastructure investments and services supported	Annual report 2022: P24–27	
GRI 204-1	Proportion of spending on local suppliers	Governance: P24	
Environmental			
GRI 301-1	Materials used by weight or volume	Environment: P9	
GRI 302-1	Energy consumption within the organisation	Environment: P9	
GRI 304-2	Significant impacts of activities, products and services on biodiversity	Environment: P12–13	
GRI 305-1	Direct (Scope 1) GHG emissions	Environment: P9	
GRI 305-2	Energy indirect (Scope 2) GHG emissions 9	Environment: P9	
GRI 305-3	Other indirect (Scope 3) GHG emissions 11	Environment: P9	
GRI 305-4	GHG emissions intensity	Environment: P9	
GRI 306-2	Waste by type and disposal method	Environment: P11	
GRI 307-1	Non-compliance with environmental laws and regulations	Environment: P12	

GRI Standard	Disclosure	Location	Additional information/Omissions
Topic-specific standards			
Social			
GRI 403-1	Occupational health and safety management system	Social: P16	
GRI 403-3	Occupational health services	Social: P16	
GRI 403-9	Work-related injuries	Social: P16	
GRI 404-1	Average hours of training per year per employee	Social: P15	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Social: P15	
GRI 405-1	Diversity of governance bodies and employees	Social: P18	
GRI 405-2	Ratio of basic salary and remuneration of women to men	Social: P18	
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Modern slavery statement 2022	Costain.com/our-culture/modern-slavery-transparency-statement
GRI 413-1	Operations with local community engagement, impact assessments, and development programmes	Social: P20–P21	



About this report

This report highlights our approach to being a responsible business through governance, material issues, strategy and performance during the 2022 financial year (1 January 2022 to 31 December 2022), 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 ESG 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 pages 26–27).

This is our annual ESG Report, published April 2023.

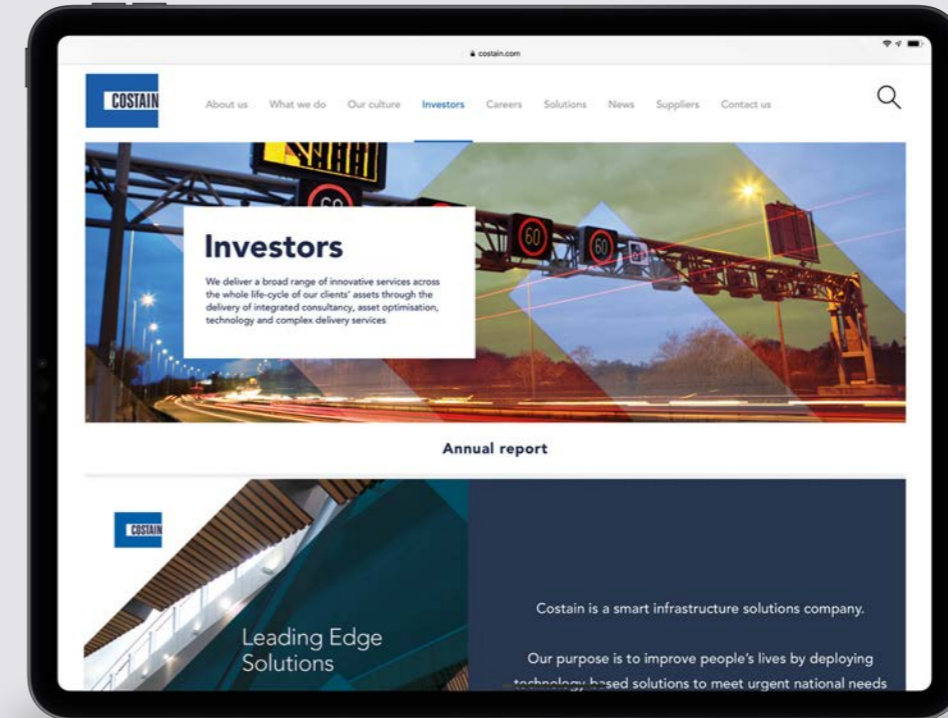
Assurance

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

Our emissions data is calculated in line with the GHG Protocol and is third party accredited by Achilles in accordance with Toitu Carbon Reduce scheme (formerly CEMARS) and ISO 14064-1. 100% of our emissions are incurred in the UK. Where Costain operates in a joint venture, we have divided emissions proportionately in line with our financial share of each contract.

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.

Our 2022 Group Annual Report can be viewed at: www.Costain.com/investors

Useful links



To find out more about Costain visit our website pages /

Costain.com

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