



Integrated pay gap report. Gender and ethnicity. 2023



Foreword from our CEO

Costain has a clear goal to have an employee population which is representative of the communities in which we operate. Our targets and actions to achieve this are set out in our 2021 Inclusion Strategy. We have been reporting our gender pay gap since 2017 and our ethnicity pay gaps since 2022. We are committed to becoming a Disability Confident Leader by the end of 2024.

We are pleased to report that in 2023, our gender pay gap reduced by 2.2% from 2022. Our ethnicity pay gaps have increased by 1.8% for Asian colleagues and 1.5% for mixed heritage and other ethnicity colleagues, whilst the gap has decreased by 0.3% for Black colleagues.

While we are making progress overall in reducing our pay gaps, we still have work to do, and we recognise that women from ethnic minority backgrounds experience the double impact of having more than one marginalised identity.

Half of our Executive team is female and we currently have one executive director from an ethnic minority background. We are delighted to see improvement in the diversity of our wider leadership team to 19% female and 7% from an ethnic minority background.

We want to see diverse representation at all levels of the organisation and recognise that our relatively low levels of diversity in our senior management population is a contributing factor to our gender and ethnicity pay gaps. We are taking action to develop a diverse leadership pipeline, most notably through our Empower programme and our Mutual mentoring programme, which I was delighted to be a part of.

We continue to be a thought leader in equality, diversity and inclusion, which comes from a true commitment to confront the root causes of discrimination within our industry and understand how they may show up in the workplace.

Psychological safety is key to achieving this, and we are leading the conversation on using behavioural science to influence inclusive behaviours within our teams. We were delighted to see our article on the use of cultural behavioural management to drive psychologically safe workplaces in the Women in Infrastructure Report, which was launched at the Houses of Parliament in July 2023.

We recognise the power of organisations coming together to tackle the diversity challenges faced by the industry as a whole. We annually submit our diversity data and pay gap information on behalf of our major infrastructure customers, contributing to an industry-wide data set.

In 2023, we were proud to be one of only five companies that submitted their ethnicity pay gap data to the benchmark and have been praised for our innovative approach of breaking the ethnicity gaps down by major ethnic groups. We took this approach ahead of the government guidance being released, which then confirmed this as good practice.

We are keen to share our learning with our customers, peers and partners, and recently spoke about our innovative approach to pay gap reporting at the 2023 Diversity data benchmarking conference.

In 2023, Costain was selected as one of twelve organisations to pilot the Royal Academy of Engineering's Inclusive leadership programme, an 18-month scheme where organisations develop in-house projects to improve the inclusivity of the culture within the engineering industry.

Internally, we are continuing to invest in our systems to have the data to drive action. Inclusion is also inherent in the Costain values and has been embedded in our Leadership framework, which we launched in 2023.

Our employee networks continue to hold spaces for inclusive conversations, and we have seen a growth in our employee networks and allyship community, who showed their support again this year marching alongside our LGBT+ colleagues in the Manchester Pride parade.

I confirm that the gender pay gap data contained in this report for Costain Group PLC companies is accurate and has been produced in line with mandatory requirements.



Alex Vaughan
Chief Executive Officer
11 March 2024



What do we mean by gender and ethnicity pay gaps?

This report covers the differences in the mean and median hourly pay between men and women (gender pay gap) and different ethnic groups (ethnicity pay gaps) within our business. These are expressed as a percentage difference between the majority demographic and the specific demographic being reported. We also report our bonus payment gaps for gender and ethnicity, which are similarly expressed as a percentage difference between the majority demographic and the specific demographic being reported.

Pay Gap

What do we mean by gender pay gap?

The gender pay gap is a measure designed to show the difference between the gross hourly earnings for all men in an organisation and the gross hourly earnings for all women.

What do we mean by ethnicity pay gap?

The ethnicity pay gap is a measure designed to show the difference between the gross hourly earnings for all white employees in an organisation and the gross hourly earnings for ethnic minority groups in an organisation.

What is included in our hourly pay?

Hourly pay includes basic pay, car allowances, shift pay, on-call and stand-by allowances. Excluded are payments for overtime, redundancy, and benefits-in-kind along with employees on family or sick leave.



Bonus pay gap

What do we mean by gender bonus gap?

The gender bonus gap is the difference between the average bonus received by men and women across Costain.

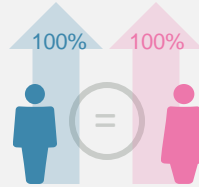
What do we mean by the ethnicity bonus gap?

The ethnicity bonus gap is the difference between the average bonus received by white employees and employees from different ethnic groups across Costain.

Pay gap terminology

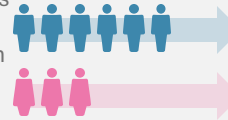
Equal pay

Equal pay means that people doing the same work should be paid equally. We regularly conduct equal pay reviews to ensure this is the case for all employees.



Pay gap

The pay gap between populations within an organisation is a representation of the distribution of pay between compared groups.



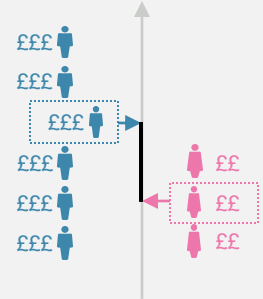
Mean

Calculating the mean hourly pay involves adding up all the salaries for a particular demographic and dividing the result by the number of people in that population. The mean pay gap is the difference between the two populations' mean hourly pay, expressed as a percentage of the typically majority group.



Median

Calculating the median hourly pay involves listing all salaries in numerical order and identifying the middle salary value. The median pay gap is the difference between the two populations' median hourly pay, expressed as a percentage of the typically majority group.



Reporting requirements and commitments

The figures quoted in this report are for all Costain Group companies as of 05 April 2023.

The Costain Group, as of the above date, employs 3505 employees. Within the group two companies employ more than 250 people as of 05 April 2023 and are therefore required to report their gender pay gaps.

The gender and ethnicity pay gap figures for Costain Engineering and Construction Ltd and Costain Ltd are set out on page 19.

There is currently no statutory requirement to report the ethnicity pay gap, however, we have disclosed this for the second consecutive year because we believe transparency is core to being a responsible business. In 2020, Costain committed to voluntarily disclosing our ethnicity pay gap as part of our commitment to the Business in the Community Race at Work Charter.

We have not calculated a single pay gap for ethnicity as we recognise that different ethnic groups have different experiences of reward and progression in the workplace. Therefore, we have reported four pay gaps to provide us with a greater understanding of these experiences so that we can take appropriate action to address our ethnicity pay gaps.

Our approach to ethnicity pay gaps

Our ethnicity pay gap figures have been calculated for the following groups:

All Black: Black/Black British

- African
- Caribbean
- Any other Black/Black British background

All Asian: Asian/Asian British

- Chinese
- Indian
- Pakistani
- Any other Asian/Asian British background

All mixed heritage and other ethnicities

- Arab
- White and Asian
- White and Black African
- White and Black Caribbean
- Other multiple ethnic groups
- Other ethnic groups

Unknown ethnicity

- Unknown
- Prefer not to say

Those in the Unknown ethnicity category represent approximately 6% of the employee population.

The pay gap is calculated in reference to the “all white” group, which comprises:

- British
- Gypsy or Irish Traveller
- Other white background



Our approach to gender pay gap

Our gender pay gap figures currently report the binary gender identities of men and women.

The current gender pay gap legislation does not cover the reporting of non-binary employees. Costain has omitted non-binary identities from the calculation, in line with Government Equalities Office advice.

We are aware that the gender identification that employees have on record may not match how the employee self-identifies. We encourage all staff to update their gender identification records if they wish to do so.

What does our pay gap tell us?

A positive pay gap percentage demonstrates that the specific population (women or ethnic minority groups) has overall lower pay or bonus payments compared to the majority demographic (men or white population).

A negative pay gap percentage demonstrates that the represented community (women or ethnic minority populations) has overall higher pay or bonus payments compared to the majority demographic (men or white population).

We capture this data annually to compare how the figures have changed over time. A negative change value implies that the gap has decreased, whereas a positive change value shows that the gap has increased.



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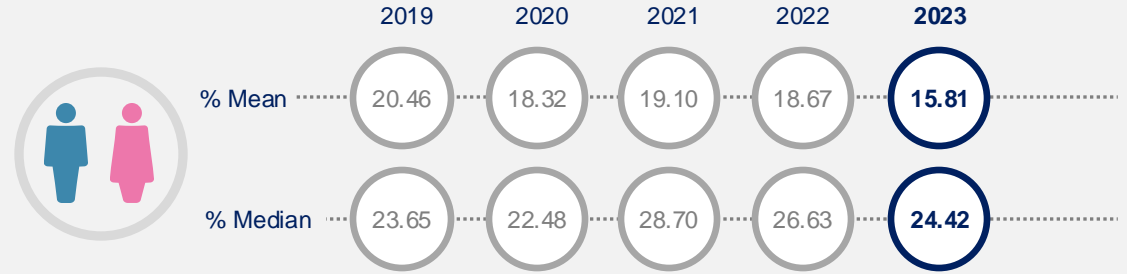
In 2023, we were proud to be one of only five companies that submitted their ethnicity pay gap data to the industry benchmark and have been praised for our progressive approach to breaking the ethnicity gaps down by major ethnic groups.

Alex Vaughan

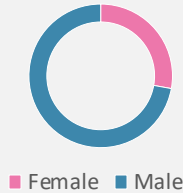
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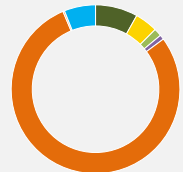
Costain Group PLC gender pay gap (2019-2023)



Gender representation of Costain employees in April 2023



Ethnicity representation of Costain employees in April 2023



White Unknown Asian Black Other Prefer not to say

Costain Group PLC ethnicity pay gap (2022-2023)

	2022	2023	
All Asian	% MEDIAN	12.12	13.87
	% MEAN	12.87	12.56
All Black	% MEDIAN	20.28	20.03
	% MEAN	22.15	21.31
All mixed and other	% MEDIAN	15.5	16.95
	% MEAN	17.4	21.06
Unknown	% MEDIAN	5.14	7.43
	% MEAN	-2.97	-2.13

Costain Group PLC 2023 Gender quartile representation

This year, we have seen a 2.0% increase in the proportion of women in the lower middle quartile and a reduction of women in the lower quartile of 1.6%. The upper quartile and upper middle quartile populations have seen little change in the percentage of women.

The below graph shows the distribution of genders within each pay quartile.



Upper



Upper middle



Lower middle



Lower



Costain Group PLC 2023 Ethnicity quartile representation

In 2022, we did not capture the percentage of people with unknown ethnicity in each quartile. The reduction from last year of white employees in the upper and lower quartiles correlates with the percentage of employees in the new unknown category this year, showing that there is likely little movement in the size of the white population in these quartiles. There has been a 1.73% increase in the proportion of Asian colleagues and 1.16% increase in the proportion of Black colleagues in the lower middle quartile. We have also seen an increase of 1.08% of the proportion of Black colleagues in the upper middle quartile since last year.

The below graph shows the distribution of ethnicities within each pay quartile.

Upper



Upper middle



Lower middle



Lower

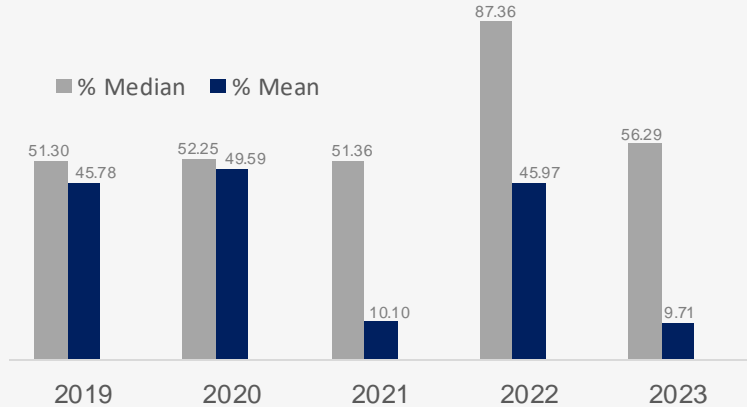


■ All Asian ■ All Black ■ All Other ■ All White ■ Unknown

Costain Group PLC gender bonus pay gap (2019-2023)

Percentage mean and median gender bonus pay gap over the last 5 years

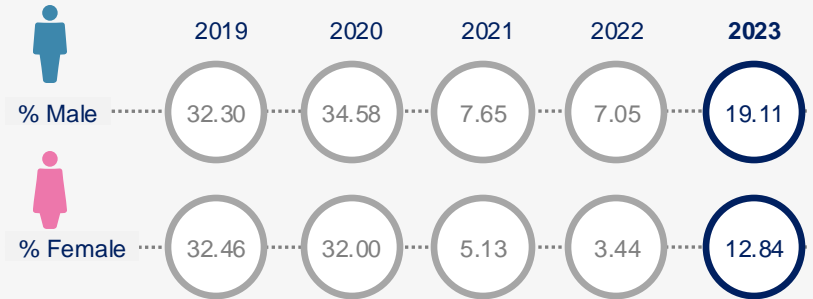
The bonus pay gap is calculated on the bonus paid in the financial year ending 31st March. There has been a notable reduction in the gender bonus gap of 31.1%. There has been considerable variation in this value over the last two years due to the actions we took in the light of the COVID-19 pandemic. It is important to note that there were more bonuses paid in 2022 financial year compared to 2021, and this is reflected in the figure below.



Percentage of employees receiving a bonus by gender over last 5 years

2023 shows a difference of 6.3%pt. in the proportion of men and women receiving a bonus payment. This has increased from 3.61% in 2022.

Please note that we currently do not calculate bonus figures through an ethnicity lens but may look to report these in future.



Data-led action to reduce our pay gaps

Measuring leading and lagging indicators

Taking learning from the Health and Safety industry, we have changed our focus from only measuring lagging indicators for inclusion (such as population diversity statistics) to both leading and lagging indicators. In addition to measuring the diversity statistics for a population, we assess our leadership, development, talent and salary data in greater detail to identify bias hotspots, which are also captured in our Equality, Diversity and Inclusion Action plans.

Using quantitative and qualitative data

Our Employee networks and our annual engagement survey are crucial to obtaining a qualitative feedback. Last year our Women's network surveyed women in the business which has informed our Empower programme, a progression accelerator course for women. This year, we are running listening circles with employees from different ethnic backgrounds to understand how to tackle our ethnicity pay gaps.

Contributing to industry-wide progress

We annually contribute our data to the Action Sustainability Diversity data benchmarking tool, which collects demographic data across the construction and engineering industry, allowing widespread diversity trends to come to light. In 2023, Costain was one of five companies that submitted their ethnicity pay gap, and we were invited to talk about our progressive approach at the 2023 Diversity data benchmarking conference.



Listening circles

We reported our Ethnicity pay gaps for the first time in our 2022 Annual Report, something we committed to doing in our 2021 Inclusion strategy. This year is our second year of reporting.

We report four ethnicity pay gaps, including the pay gaps for all Asian, all Black, all mixed and other heritage, and unknown ethnicities.

Conducting our analysis in this way enabled us to recognise that different ethnic groups had different pay gaps, demonstrating that they likely have different experiences of reward and progression in the business. It also avoided masking a larger pay gap for certain ethnic groups than would have been visible if doing an aggregated "ethnic minorities" group.

We recognise that these numbers are not the whole story, so we are working with Business in the Community to facilitate listening circles with employees from each of the represented ethnic groups, to obtain qualitative feedback and identify interventions to reduce our pay gaps and improve employee experiences.

Our approach to ethnicity pay gap reporting was recognised as innovative across industries, as most report a single pay gap for all Black, Asian and other ethnic minority employees.

Data-led decision-making

We have strived to improve our data quality to enable us to assess our people data from both gender and ethnicity perspectives. Specifically, we have seen our internal ethnicity disclosure increase from 50% in 2019 to 94% in 2022, which allowed us to calculate our ethnicity pay gaps for the first time. This improvement in our data has been thanks to working with our People team and the employee networks to myth-bust concerns around how ethnicity data is used (and not used) to inform decision-making, as well as data security.

We are continuing to invest in our data and reporting capabilities to inform targeted actions to address our pay gaps.

Applying EDI lenses

Our improved ethnicity data has allowed us to assess our salary review, talent review, and succession planning through both gender and ethnicity lenses. This analysis has been incorporated into our annual processes and with delegated responsibility to the respective process owners.

We have been able to use this data to address attraction and attrition of certain demographics in specific job families at certain levels of seniority. This also enables us to identify whether bias is playing any part in decisions which ultimately affect our gender and ethnicity pay gaps, such that we can conduct any required upskilling.

EDI Action plans

Both our Transportation and Natural Resources Divisions have high-level EDI Action plans in place, to meet their specific teams' and customers' needs.

EDI Action plans enable our teams to improve their local diversity, inclusive culture and identify suitable metrics to measure progress against a plan-do-check-act mechanism.



We have seen our internal ethnicity disclosure increase from 50% in 2019 to 94% in 2022

Attracting and hiring the best talent

Our Talent acquisition team now runs monthly analysis on our candidates' recruitment journeys to identify any hotspots for bias. This involves analysing the diversity of candidates from application, to shortlisting, to interview, to offer, by different diversity characteristics.

Inclusive recruitment training

We have also upskilled our Talent acquisition team in inclusive and accessible recruitment practices and continue to offer an interview to disabled candidates who meet the minimum criteria for the vacancy.

Offering a more competitive parental and carers leave offer

We have increased our maternity leave offering by 8 weeks to meet industry best practice (26 weeks overall fully paid leave). We have also increased our paternity leave offering by 6 weeks (8 weeks overall fully paid leave), going beyond the industry norm.

Acknowledging the disproportionate impact of caring responsibilities on women and people of colour, we now offer 5 days paid carers leave annually to all employees.

Diversifying the future pipeline

Costain works closely with students from various colleges and universities, including the London Design and Engineering University Technical College in East London, located in one of the most deprived London boroughs. We support employer-led civil engineering education, encouraging an important pipeline of diverse engineering talent into the industry. We aim to have gender and ethnically diverse apprentice and graduate cohorts and our 2023 statistics can be seen on the right.

Leading the industry-wide inclusion conversation

Our article on applying a behavioural science approach to psychological safety was published in this year's Women in Infrastructure report on accelerating gender diversity.



21% of our graduate cohort are women



57% of our 2023 graduate cohort comes from an ethnic minority background



25% of our 2023 apprentice cohort are women



18% of our 2023 apprentice cohort comes from an ethnic minority background



Improved parental and carers leave

We are committed to continuous improvement and regularly benchmark ourselves against external standards to identify opportunities to become a more inclusive employer.

We have been a member of Working Families since 2019. Our most recent submission to Working Families' Top employers benchmark highlighted that our benefit package was not as competitive as some of our larger peers in the industry and did not reflect our approach to gender equality and carers rights in the workplace.

We also received feedback through our employee networks, including the Parenting and Carers network, Women's network and Your Voice forum in line with the feedback from the benchmark.

Our Parents and Carers network particularly raised the business' awareness of carers' needs through regular conversations, as well as the Carers Leave Act, which entitles all employees to one week of unpaid carers leave every 12 months.

From 2024, Costain now offers:

- 26 weeks paid maternity leave
- 8 weeks paid paternity leave
- 5 days paid carers leave per year.

Ensuring equitable development opportunities

Tackling imposter syndrome in underrepresented groups

We recognise that certain groups experience imposter syndrome and may not put themselves forward for development opportunities without strong encouragement from their managers and leaders. For both our Emerging Leaders and Project Director excellence programmes, our Learning and development team review our talent data and directly reach out to the line managers of suitable candidates who are women or from an ethnic minority background. Consequently, this year's Emerging Leaders cohort was 56% female with 20% of delegates from an ethnic minority background.

Addressing concrete ceilings

Our new career path framework will provide employees with clarity of responsibilities of each role under our job architecture. This empowers individuals to demonstrate the set competencies when ready for promotion, reducing bias from decision-making. The framework will also show how skillsets can be transferred between roles in different job families, demystifying the way into all career routes.

Meeting the development needs of our people

Thanks to the feedback from our employee networks and regular review of our EDI data, we have developed our Mutual Mentoring and Empower programmes to meet the specific needs requested by underrepresented groups (see page 15 for further information).



Creating a culture for retention

Empower

In 2023 we piloted Empower, a development programme aimed at tackling barriers to women's progression into senior roles. The programme evolved from our data which showed a drop in the ratio of women to men at middle management grades. The content of the programme was drawn from feedback through our Women's network survey, which highlighted that women in the business wanted a course which focused on women and addressed the experiences of women in the industry.

Empower, sponsored by our General Counsel and Company Secretary, Nicole Geoghegan, supports women to more confidently champion themselves and be empowered to progress their career, by:

- Recognising the intersectional impacts of ethnicity and gender through speakers and workshops led by women from an intersectional background. The cohort itself was 25% from an ethnic minority background.
- Equipping delegates with tools to reflect, challenge imposter syndrome and lean into their strengths.

- Developing a feeling of being invested in and seen by senior leaders, with a strong support network.
- Creating connections with inspiring women, learning from their career journeys to define and drive their career success.
- Engaging line managers to support and advocate for the delegates during and after the programme.

We will run the next cohort of Empower in 2024, continually improving the programme based on feedback and effectiveness.

Quotations from our Mutual Mentors



I think that my mentor now has a awareness of people with different backgrounds, and that he might now question if someone in his team is struggling with some of the same things that I've experienced which we discussed.

Mutual Mentoring

In 2023, we completed the second cohort of our Mutual mentoring scheme. The scheme pairs members of our Religion, ethnicity and cultural heritage network (57.1% of delegates were women) with senior leaders in the business (35.7% of leaders were women).

This was the first time that we ran the scheme as a Mutual mentorship programme, evolving it from reverse mentoring, based on the feedback from the first cohort. Other improvements included providing more structure to the programme with conversation topics, which covered stereotypes, microaggressions, role models and access to career-boosting projects

My mentee says he uses examples from our conversations with his colleagues to share diverse experiences.



Creating a culture for retention

Providing support in times of crisis

For the annual pay review in early 2023, we took a tapered approach to pay increases such that those on the lowest salaries received the highest pay increases, directly supporting those most impacted. We also launched our discount portal available to all employees.

Tackling bias through reward transparency

In November 2023, we launched our new job architecture, which directly links rewards and benefits to a job, rather than to an individual. The job architecture outlines key competencies across job families, preventing any particular job from being seen as more elite, and removing subjectivity on career progression or career changes.

Personal performance in a role is also recognised, based on expertise and skill level. Our general pay approach deliberately aims to move employees into the expected pay range for their job role, which is aligned with the market and irrespective of ethnicity or gender.

A new review process puts in place multiple assessments for bias, which are carried out by line managers, senior leaders, the Reward director and finally the CEO.

Our job architecture continues to add to our EDI data maturity. By introducing job families, we will have visibility of diversity information by job family in the future, further informing our approach to EDI.

Raising awareness of our family-friendly benefits

We are currently focusing on better communicating our existing family-friendly benefits such as online GP access for all employees and their households, medical plans, pension (and employer contribution), life assurance and income protection.



Since launching our menopause support in 2022, 35 people have engaged the service either virtually or by attending at a centre in person. The programme provides all employees access to a consultation with a menopause-trained GP and 24/7 support and does not require employees to be paying for employer medical insurance.

This is part of a longer-term strategy to start a different narrative around benefits, and the holistic space of wellbeing.

“ I had a call with a menopause specialist. I spoke for three quarters of an hour and she just listened to me. It's been 6 months now. I'm sleeping better. The hot flushes have stopped. My hair has stopped falling out. The difference is unbelievable. It's one of the best phone calls I've ever made. ”

Prompting inclusive behaviours through our line managers

We know that workplace adjustments not only support those who are disabled, have a long-term health condition or a neurodivergent, but can aid those going through life experiences, such as menopause or transitioning gender. We are supporting our line managers to have conversations with their direct reports about workplace adjustments on an annual basis through our end of year review process.

Our line managers have been upskilled in our new job architecture. All line managers have received a written job structure, competency matrix and guidance on the architecture, as well as been invited to attend a virtual briefing. Line managers also see the gender and ethnicity of their team during pay decisions, which aims to interrupt any bias in decision-making.

Off the back of the job architecture, we will be launching our new Career path framework in 2024 to clarify responsibilities against job titles. This will reduce bias in the assessment of readiness for promotion, supporting line managers to make equitable decisions.

Leading by example

We have built inclusive behaviours into our new leadership framework which outlines our expectations of leaders at Costain.

Gender and ethnic diversity have been made a business priority by embedding progress into long-term incentive plans.

Our leaders are now required to identify gender and ethnically-diverse individuals in their succession plans, and we review our development and progression data to identify potential bias.

Expecting active allyship from our colleagues

We are encouraging employees to educate themselves about equality, equity, diversity and inclusion in the workplace. We have seen the number of Costain Active allies increase by 60% in the last year. Consequently, we have seen an increase in Ally-led events, including an online learning session on bereavement rituals for Afro-Caribbean and Hindu backgrounds and a locally organised visit from Wren the guide dog and owner to raise awareness of workplace adjustments for visual impairments.

Costain has worked with the Supply Chain Sustainability (SCSS) Fairness, Inclusion and Respect (FIR) team and Leeds University Business School to develop a 60-minute EDI (FIR) “How to be an Active ally” training. The training has been developed off the back of a 3-year EDI research project funded by National Highways and has been delivered to over 130 people, including members from 18 of our suppliers.

Our colleagues in our Skanska Costain Strabag joint venture have run several cohorts of their project-wide EDI Champions programme, which has seen 71 new trained EDI Champions this year.

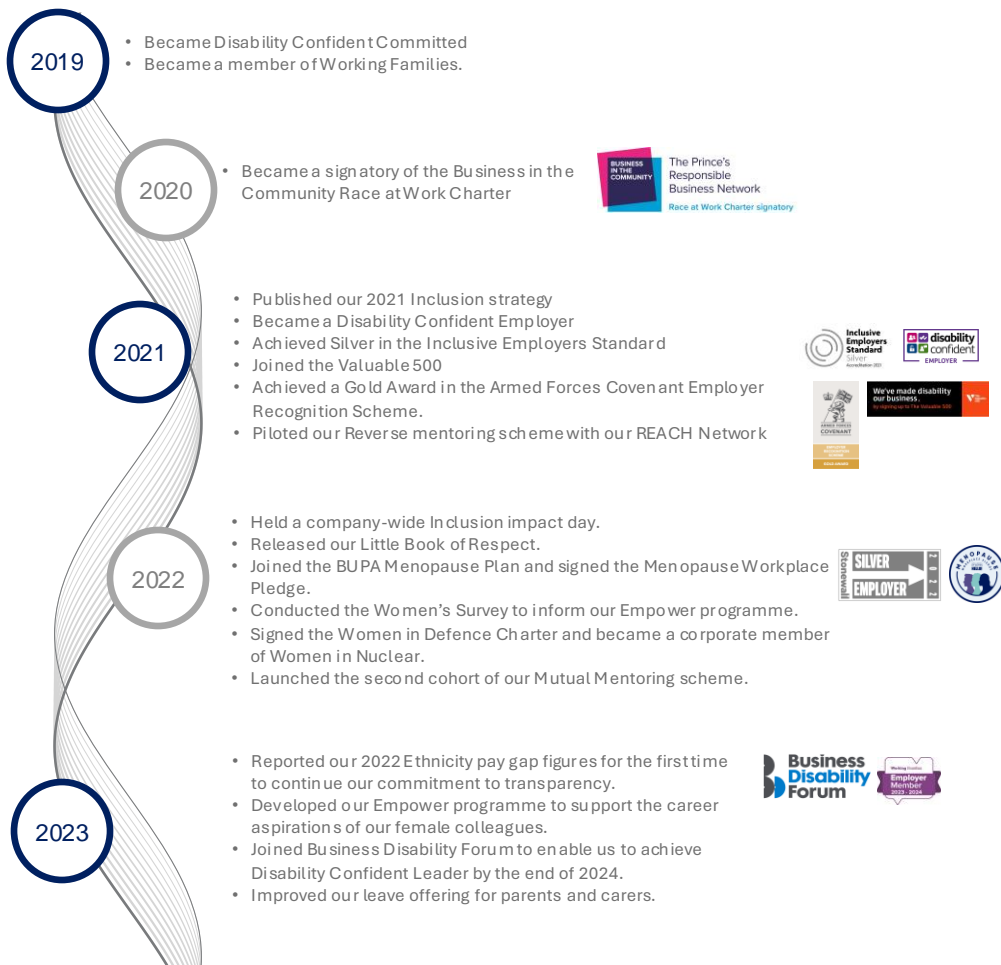


Our commitment to continuous improvement

Our employee networks and Your voice forum are key to creating safe spaces where employees can provide honest feedback to the business. In addition to internal feedback, we measure ourselves against external inclusion benchmarks, including the Inclusive Employers Standard, Stonewall Workplace Equality Index, Working Families Top Employers Benchmark, Times Top 50 Employer for Gender Equality, Disability Confident, and the Armed Forces Covenant Employers Recognition Scheme. Feedback from these accreditations is fundamental to our culture of continuous learning to evolve our way of working to be best practice.

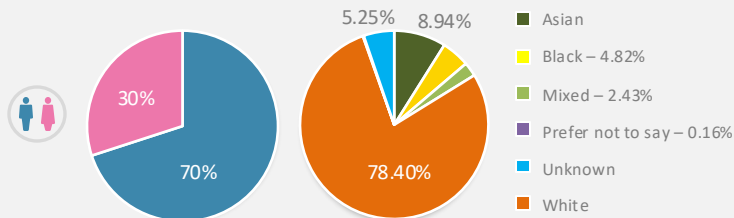
Our Inclusion Networks

- Disability and wellbeing network
- LGBT+ & allies network
- Parenting and carers network
- Religion, ethnicity and cultural heritage network
- Services and service families network
- Women's network



Costain reporting entities

Costain Engineering and Construction Ltd.

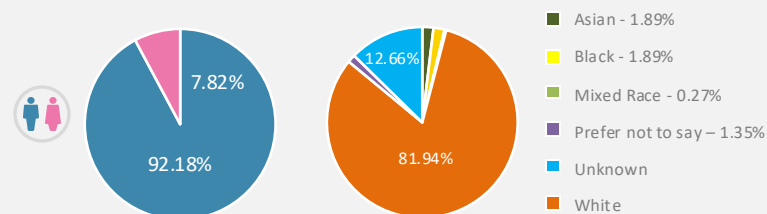


GENDER PAY GAP	2022	2023	Change
% MEDIAN	25.36	22.92	-2.44
% MEAN	18.04	16.05	-1.99

GENDER BONUS GAP	2022	2023	Change
% MEDIAN	45.84	54.81	8.97
% MEAN	47.66	10.48	-37.18
% Male receiving bonus	8.10	14.93	6.83
% Female receiving bonus	3.50	4.02	0.52

SALARY QUARTILE BY GENDER	% Male in quartile 2023	% Female in quartile 2023
Upper quartile	82.00%	18.00%
Upper middle quartile	78.00%	22.00%
Lower middle quartile	68.00%	32.00%
Lower quartile	54.00%	46.00%

Costain Ltd.



GENDER PAY GAP	2022	2023	Change
% MEDIAN	30.36	40.15	9.79
% MEAN	6.67	8.94	2.27

GENDER BONUS GAP	2022	2023	Change
% MEDIAN	100.00	100.00	0.00
% MEAN	100.00	100.00	0.00
% Male receiving bonus	0.60	0.92	0.32
% Female receiving bonus	0.00	0.00	0.00

SALARY QUARTILES BY GENDER	% Male in quartile 2023	% Female in quartile 2023
Upper quartile	96.00%	4.00%
Upper middle quartile	99.00%	1.00%
Lower middle quartile	90.00%	10.00%
Lower quartile	85.00%	15.00%