
ENGINEERING **A SUSTAINABLE** **TOMORROW**





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- 01 Costain Cares
- 02 Meeting National Needs
- 04 Listening to our stakeholders
- 06 Our goals for 2025
- 08 Ensuring Costain is a safe and
great place to work
- 11 Creating a better environment
- 12 Supporting our local communities
and leaving a positive lasting legacy
- 15 Providing better solutions for the marketplace
- 16 Our values

COSTAIN CARES

“‘COSTAIN CARES’ IS OUR CONTINUED COMMITMENT TO YOU, OUR STAKEHOLDER, DEMONSTRATING OUR FOCUS ON THE ISSUES THAT YOU CARE ABOUT. IT IS OUR VISION TO BUILD A LONGER-TERM SUSTAINABLE BUSINESS THAT CREATES ECONOMIC, ENVIRONMENTAL AND SOCIAL VALUE

‘Engineering A Sustainable Tomorrow’ is the next phase of our ‘Costain Cares’ journey and is based upon our four sustainability goals:

- Ensuring Costain is a safe and great place to work;
- Creating a better environment;
- Supporting our local communities and leaving a positive lasting legacy;
- Providing better solutions for the marketplace.

By listening to our stakeholders, understanding their priorities, we have identified the issues that matter and set challenging, achievable targets.

We will promote responsible business practice and challenge norms to ensure that Costain is an industry-leading sustainable business. This is how we plan to deliver sustainability and demonstrate our long-term commitment that ‘Costain Cares’.”



Andrew Wyllie CBE Chief Executive

MEETING NATIONAL NEEDS

Costain delivers for customers integrated consulting, project delivery and operations and maintenance services, with a portfolio spanning 150 years of innovation and technical excellence.

We target customers and markets where there is committed regulated spend and essential capital investment, addressing essential national needs in energy, water and transportation.

The Company is committed to delivering sustainable value for shareholders and all stakeholders by enhancing lives through meeting national needs.



To see our annual sustainability targets go to:
costain.com/sustainability



ENERGY

The demand for new power generation and transmission assets continues to increase. We need to replace ageing power stations and grid networks and prepare for an increase in electricity demand over future decades. We must also ensure that we have a safe and flexible network capable of providing the heat and energy that our economy needs. The UK's energy policy to decrease CO₂ emissions increases reliance on nuclear energy and has led to major programmes of nuclear new build and current plant life extension.



WATER

Population growth, regulatory changes, energy costs and climate change are having a dramatic impact on water usage. The national approach to managing water supply is changing to meet these challenges. The government and industry regulator are tasked with cutting wastage and preserving an increasingly valuable resource while protecting consumers from higher water bills.

We have transformed our business by increasing our expert advisory services, investment capability and maintenance and operations resources to meet this challenge.



TRANSPORTATION

As our population increases, the UK is demanding more from its rail infrastructure than ever before. It is estimated that we make 2.5 billion rail journeys every year, which is set to rise to over 3 billion by 2020. The current network is beyond capacity. Increasing demand will see growth in electrification, high-speed rail and the introduction of digital railway, making for a better connected nation.

The road network is also a crucial part of the national transport system and is vital to the UK. It provides real and direct economic benefits: to business, to workers, to users. Better connections support individual towns and cities and strengthen the country as a whole. Failures of the road network increase costs, stifle employment opportunities and make it harder to do business in the UK.

LISTENING TO OUR STAKEHOLDERS

STAKEHOLDER FEEDBACK HAS SHAPED OUR STRATEGY
AS WE CONTINUE OUR JOURNEY TO ACHIEVE FURTHER
SUCCESS BY MEETING NATIONAL NEEDS

The diagram opposite locates these issues in the context of their relative importance to our stakeholders and Costain's ability to influence positive change.

Key

Material issues

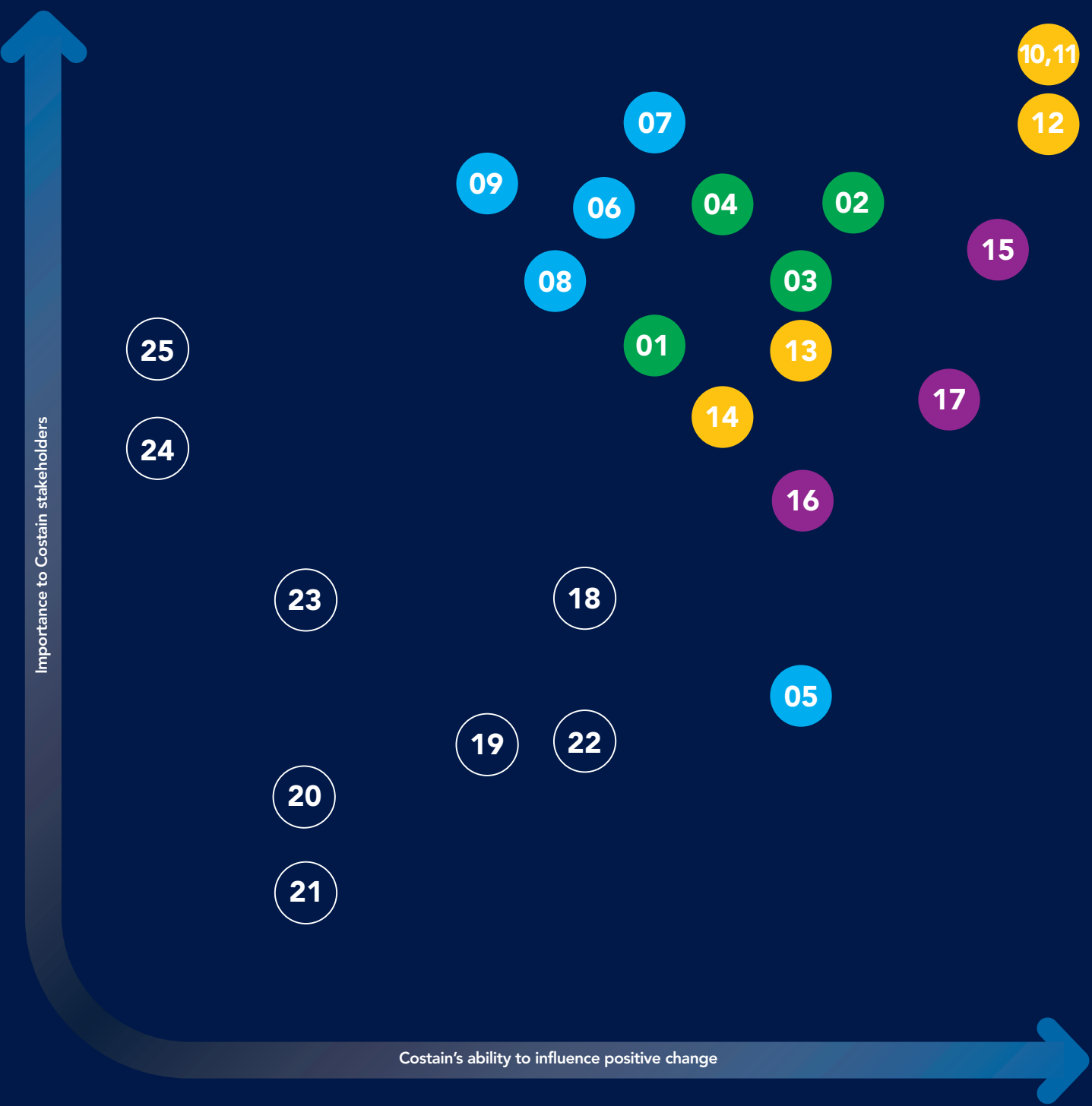
- | | |
|--|---|
| 01 Enhancing biodiversity | 10 Never compromising safety |
| 02 Being more resource efficient | 11 Always prioritising the health of our people |
| 03 Reducing our carbon emissions | 12 Ensuring all employees are treated and valued equally and we actively promote diverse and equal opportunities |
| 04 Protecting the environment | 13 Investing in tomorrow's leaders today |
| 05 Supporting charity | 14 Communicate openly and engagingly with our employees, listen to their views on the Company and issues that affect them |
| 06 Investing in the communities where we operate | 15 Providing customers with sustainable solutions that enhance their businesses |
| 07 Inspiring the next generation | 16 Supply chain collaboration |
| 08 Generating local social value | 17 Providing a sustainable return for our shareholders |
| 09 Respecting the communities that we serve | |

Other stakeholder issues

- | | |
|-----------------------------------|----------------------|
| 18 Depletion of natural resources | 22 Water scarcity |
| 19 Energy prices | 23 Data security |
| 20 Growing population | 24 Trust in business |
| 21 Crime | 25 Migration |
-

Material issue matrix

The issues that are important to our stakeholders and to Costain.



OUR GOALS FOR 2025

WE HAVE SET AMBITIOUS YET VIABLE TARGETS WHICH
WILL HELP SHAPE THE FUTURE OF OUR COMPANY

By monitoring our sustainability performance and customer satisfaction we are able to continuously improve our performance. We work closely with Business in the Community and use their insight to benchmark our responsible business practice.

The table opposite sets out our targets that address our material issues.



To see our annual sustainability targets go to:
costain.com/sustainability

Costain cares about

Through

By 2025

Ensuring Costain is a safe and great place to work



More information can be found on pages 8 and 9

Never compromising safety

Always prioritising the health of our people

Ensuring all employees are treated and valued equally and we actively promote diversity and inclusion

Investing in tomorrow's leaders today

Communicating openly and by engaging with our employees, listening to their views on the Company and the issues that affect them

Provide a safe working environment free from harm

Costain staff absence rate 20% under the private sector average

To have a workforce that represents society

Our people have the right skills and capabilities to achieve their potential and meet their aspirations

95% employees believe Costain is a great place to work

Creating a better environment



More information can be found on pages 10 and 11

Enhancing biodiversity

Using natural resources efficiently

Reducing our carbon emissions

Protecting the environment

All projects have a net positive biodiversity impact

Collaborating to contribute towards a successful circular economy

Leading the industry in low carbon engineering solutions and operations

No direct harm to the environment from our operations

Supporting our local communities and leaving a positive lasting legacy



More information can be found on pages 12 and 13

Respecting the communities that we serve

Investing in the communities where we operate

Inspiring the next generation

Generating local social value

Supporting charity

Leading and promoting best practice for community engagement

60% employees volunteer

30,000 young people engaged through Costain STEM engagement

All projects demonstrate the social value that they bring to a local community

Charitable donations equal 1% of Costain profit

Providing better solutions for the marketplace



More information can be found on pages 14 and 15

Providing customers with sustainable solutions that enhance their businesses

Supply chain collaboration

Providing a sustainable return for our shareholders

Customers consistently say we exceed their expectations providing sustainable solutions

A collaborative supply chain that influences sustainable solutions for the industry

Costain is a sustainable investment

ENSURING COSTAIN IS A SAFE AND GREAT PLACE TO WORK

Costain is a people business. Yes we have invested in our technology, equipment and systems. But fundamentally our ability to meet national needs stems from the quality of our people and the relationships they have with each other and with our stakeholders.

We prioritise health and safety in the workplace and never compromise on it. We place great importance on careful recruitment, training and development. Our 'Costain Cares' commitment is very much part of this process. We seek joiners who care about other people, not just about their own career path. We expect them to uphold our values and be open, honest and team-minded.

We communicate openly and engagingly with our employees, listen to their views and the issues that affect them, and we invest in tomorrow's leaders today.

We welcome people of all backgrounds and cultures and we provide an open environment for fresh thinking where new ideas can flourish. We ensure all employees are treated and valued equally and we actively promote diversity and equal opportunities. We value the differences between people and we are working towards a full, proportionate representation of the UK population mix within our team.

Costain is highly inclusive and ensures that people have easy access to senior management. This provides the opportunity to advance rapidly on merit.



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Leading by example

Costain has an industry leading behavioural safety programme and it is thought to be the only UK company to have achieved independent validation of such a programme. The programme has been accredited by The Commission on Behavioural Safety, at the Cambridge Centre for Behavioural Studies in Massachusetts. The behavioural safety programme is one of a number of measures taken by Costain which can be attributed to a sustained decrease in accidents across the Group. Proactive and strong leadership from all levels has been a key success in influencing positive behaviours, along with highly visible senior management support.



Giving young people a chance

Costain is a proud patron of the Prince's Trust, a charity that helps young people aged 14 to 30 who face real adversity. The Trust focuses on young people who have struggled at school, been in the care system, are long-term unemployed or have been in trouble with the law. It offers practical support including training, mentoring and financial assistance, running several different programmes designed to engage young people and help them move into employment, education or training. Costain's involvement has contributed to many success stories with young people, employed directly by Costain or the supply chain, making great strides in their personal lives and their careers.





Creating new roads and new habitats

Costain is completing the new award-winning Heysham to M6 link road in the northwest for Lancashire County Council. Working collaboratively with Tarmac Lafarge, Costain has delivered cost savings and carbon efficiency to create a road, cycleway and footpath that connect the Morecambe and Heysham peninsular with the M6 while increasing biodiversity.

Costain's activities have included creating new otter holts on the banks of the River Lune, host to salmon; planting significantly more hedgerows than are being lost; conserving threatened waxcap mushrooms; providing new roosting opportunities for bats; and managing invasive species, such as Himalayan Balsam and Japanese Knotweed.



Pooling data to reduce carbon

Costain's carbon specialists are working with plant manufacturers to highlight climate change and reduce our carbon footprint. Initiatives include a telematics data platform and the 'ReCell' telemetry project which maps construction processes.

A great example of collaboration are the technical workshop events Costain has hosted for suppliers and manufacturers, including JCB, at the University of Edinburgh Business School. Such initiatives have helped Costain to develop toolbox talks, eco-operative training courses, cash incentive schemes for efficient plant usage and league tables per sector and division.



CREATING A BETTER ENVIRONMENT

ENSURING WE ACT IN A RESPONSIBLE WAY
IS AN ESSENTIAL PART OF HOW WE WORK

Costain's aspirations go beyond merely minimising harm on the environment to working with our customers to provide environmental enhancement and sustainable solutions.

Costain implements and maintains an environmental management system which complies with the requirements of ISO 14001:2015 in order to define, measure and control processes and activities that are employed in the execution of the business. We aim to continually improve the environmental performance of all Costain activities by proactively developing solutions to minimise environmental impacts during the delivery and life-cycle of contracts.

We achieve this through committed and inspired leadership and an open culture that encourages innovation and partnership with our customers and suppliers.

As the UK grows in population and economic activity there is more pressure to find low carbon solutions for our customers and protect our natural environment. Costain is rising to this challenge and is setting ambitious targets for 2025.



To see our annual sustainability targets go to:
costain.com/sustainability

SUPPORTING OUR LOCAL COMMUNITIES AND LEAVING A POSITIVE LASTING LEGACY

Costain's activities in meeting national needs are very much connected with respecting the communities we serve and generating local social value.

After all, better roads, better rail services, cleaner and more affordable energy and water... all these elements in our daily lives help make life better for communities across the country.

This means that every single Costain team member is a 'community worker'.

Furthermore, every Costain employee is entitled to two days' annual volunteering leave and the senior leadership actively encourages staff to use this allowance in support of good causes.

We aim to inspire future generations by promoting science, technology, engineering and mathematics in schools and colleges, and through our work experience programme. Costain also has numerous national and local charitable initiatives and community engagements. This illustrates the close relationships we have with the people we serve.

We are recognised within our industry and more widely for our community focus. Every Costain site is registered with the Considerate Constructors Scheme and we have achieved an average score of over 41 out of 50, setting us at the top end of the industry regarding responsible conduct. Costain is an active member of the Prince of Wales's 'responsible business network', Business in the Community, in which many Costain executives play a significant role.



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The Costain Charitable Foundation

In 2015 Costain commemorated a history spanning 150 years. In celebration we established The Costain Charitable Foundation, a grant-giving organisation for the benefit of the public by the provision of grants to other charitable bodies.

Costain ran a major national fundraising campaign in 2015, known as the 'Costain 150 Challenge' and set out to raise £1 million for four charities relevant to Costain stakeholders: the British Heart Foundation (BHF), Macmillan Cancer Support, The Prince's Trust, and the Samaritans. Through significant staff involvement which included climbing Mont Blanc, sky diving and baking thousands of cakes we raised a remarkable £1,137,351.

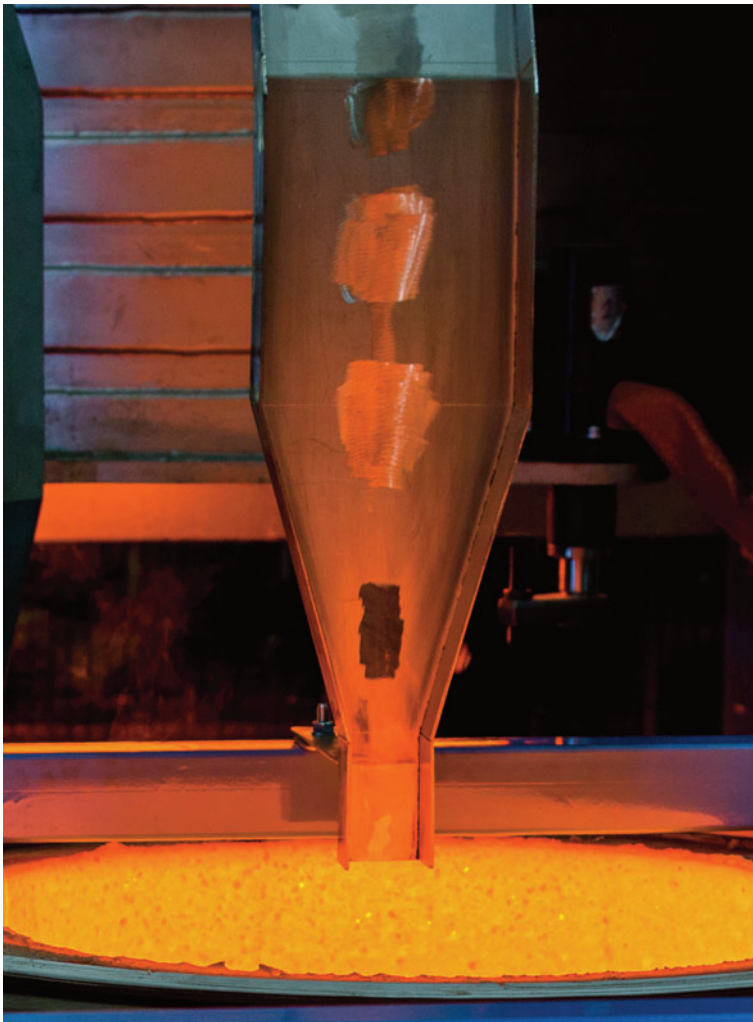


Sponsoring a new college in London

Costain is a founding sponsor of a new University Technical College (UTC) in London. Based in the Royal Albert Dock opposite London City airport, the London Design and Engineering UTC opens in September 2016 and is backed by the University of East London. Costain is looking to the future, creating opportunities for young people and helping to educate the next cohort of engineers and technicians to develop our national infrastructure.

Developed in England in response to repeated demand from employers, UTCs teach students technical and scientific subjects in a new way by integrating technical, practical and academic learning and creating an environment where students can thrive and develop the abilities that industry needs.





Reducing the volume of nuclear waste

Costain is leading the way in the management of nuclear waste and has more than 400 scientists and engineers at our Manchester Engineering Centre.

The current method of dealing with the waste is hugely inefficient and costly. Now, using plasma heating, Costain is turning waste into glass. This is known as 'plasma waste vitrification'. By using this new method Costain can meet all nuclear safety requirements and obtain a waste volume reduction of up to 90%.



Saving money by working smarter

A recent Costain initiative realised significant cost savings and supported Network Rail's re-certification to the BS 11000 standard. In collaboration with Network Rail, Costain and key partners formed a single, fully-integrated, South East Multi-Functional Framework leadership team to deliver a complex programme of civil engineering, building and enhancement schemes over a period of five years while keeping the rail network operational. In response to ORR (Office of Rail and Road) requirements, the team has to deliver all works to an efficiency of 25% against the previous framework budgets. In response to this challenge, one scheme achieved a £759,000 saving against procurement pricing of £1,200,000, through close collaboration with the supply chain, innovative thinking and a strong drive to meet the customer's objectives.



PROVIDING BETTER SOLUTIONS FOR THE MARKETPLACE

We place particular importance on technology, innovation and collaboration. Our customers ask us to solve complex large-scale problems and we achieve this through analysis and fresh thinking.

Engineering *A Sustainable Tomorrow* is what Costain is all about. The principle of sustainability is at the heart of what we do for our customers; it determines the way we design a solution and drives all our decisions regarding the materials, logistics and processes we need to use.

Our supply chain is equally important. We collaborate with high quality and committed suppliers so that together we can be a winning team. Costain works with large and small supply partners and is active in developing SMEs.

Our business model is based on our absolute customer focus, our range of innovative services, our financial strength and the skills and experience of our team. We draw on a mix of resources: our people; the relationships we have with our stakeholders; our intellectual assets; and our capital.

A key priority for us is to provide a sustainable return for our shareholders.



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OUR VALUES

COSTAIN'S STRONG CUSTOMER FOCUS PROVIDES SUSTAINABLE SOLUTIONS THAT ENHANCE BUSINESS PERFORMANCE

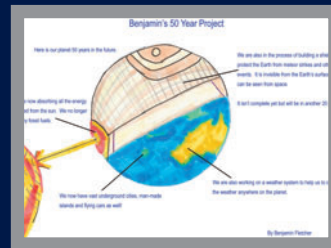
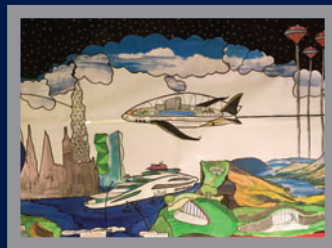
Behaving in a principled, disciplined way is all part of being a caring team and a responsible company. We know that a happy workplace produces the best work. Our success rests in large part on the kind of self-motivated people we bring into our business and the sort of responsible suppliers and partners we choose. This makes for a great place to work.

Our values are:

- Customer focused;
- Open and honest;
- Safe and environmentally aware;
- Team players;
- Accountable;
- Improve continuously and therefore the...
- Natural choice.

These are the drivers behind our behaviour and guide us as we work with our stakeholders to meet national needs.

The artwork on the front cover was the winning entry to a competition with future students of the London Design and Engineering University Technical College and depicts a vision of the future.



This brochure has been printed in the UK. Our printers are Environmental Management System (ISO 14001) accredited and FSC (Forest Stewardship Council) chain of custody certified. The material used for this report is produced from 100% certified recycled post-consumer waste and is PCF (Process Chlorine Free). All inks are vegetable based.

By using Cocoon Silk rather than a non-recycled paper, the environmental impact was reduced by:

- 169 kg of landfill
- 23 kg CO₂ and greenhouse gases
- 227 km travel in the average European car
- 4,685 litres of water
- 432 kWh of energy
- 275 kg of wood

Source: Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone® methodology. Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available.

Designed and produced by Independent Insights and effektiv design.



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