

COSTAIN



Modern slavery statement 2021

Improving people's lives.

This statement has been published in accordance with Section 54(1) of the Modern Slavery Act 2015. It sets out the steps that Costain has taken in 2021 to prevent slavery and human trafficking taking place in any part of its business, or that of its supply chain. This statement is made on behalf of Costain Group PLC and each of its subsidiaries, including Costain Limited, and Costain Engineering and Construction Limited, that are required to make such a statement in accordance with the Act.

Introduction

Our purpose is to improve people's lives by creating connected, sustainable, infrastructure that enables people and the planet to thrive. This is underpinned by our strategic focus on people, planet and performance.

We are focused on four strategic sectors across the UK: transport, energy, water and defence. Everything that we do is rooted in delivery and organised around our clients.

We take a zero-tolerance approach to modern slavery and human trafficking, recognising that it is a violation of fundamental human rights and is contrary to the Modern Slavery Act 2015 (the "Act").

Costain is committed to prioritising the safety of the public and our workforce while ensuring that our business and those businesses within our supply chains worldwide, work to our highest ethical standards. A key part of this is understanding and minimising the risk of modern slavery to our business and working in collaboration with other organisations and industries to tackle the wider societal issue of modern slavery and human trafficking.

Challenges facing the industry in 2022

Materials and labour shortages (including hauliers) are two of the biggest challenges facing the Construction industry in 2022.

The impact of Brexit coupled with the Covid-19 pandemic and an ageing workforce means that there is an even bigger need to recruit workers to meet the required outputs as the Government increase investment in infrastructure.

This presents a challenge; we must remain vigilant to the risks of modern slavery and work together with the industry and clients to prevent this occurring within the various tiers of our supply chain.

Organisation structure and supply chains

Costain is a UK based organisation, with 3,500 direct staff and a further 13,500 working in our supply chain on sites across the UK. In addition, we spend over £1billion each year with a supply chain of over 3,000 companies registered here in the UK and throughout the world.

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

We have leadership groups that are responsible for reporting our responsible business performance to the Board and hold direct responsibility for implementing and delivering policy across the organisation. Catherine Warbrick, group HR director holds executive responsibility for Responsible Business and David Taylor group commercial director for modern slavery and ethical labour.

In 2016, a Modern slavery leadership group (MSLG) was formed to help inform our risk management and approach to mitigating the risk of unethical labour practices in Costain and in its supply chain. The MSLG meets annually and is chaired by the group commercial director.

Reporting to the MSLG is the modern slavery working group (MSWG) who are responsible for day-to-day tactical approach to monitoring and mitigating modern slavery risk. The MSWG committee is an agile group that meet quarterly and on an ad hoc basis to address any emerging critical issues.

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

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

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

Policies

As a responsible business we operate with high ethical standards, particularly with regards to human rights issues.

We have a range of policies that are available to all employees and can be viewed on www.costain.com. Our policies set out how we expect our people, partners, and suppliers to behave and operate when representing Costain.

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

Policies, procedures and contractual terms	Scope and relevance to modern slavery and ethical labour practices
Board diversity and inclusion policy	This policy sets out the Chair and Board of directors' commitment to maintaining a diverse and inclusive Board. Leading by example and setting expectation that the Group operates inclusively and continues to invest in diversity. The owner of this policy is the chair.
Responsible business policy	Costain's responsible business policy consists of ten commitments (including responsible procurement and supply chain management and ethical conduct) that all employees, partners and suppliers must deliver against in support of Costain's approach to responsible business. The board sponsor for this policy is the Group human resources director
People policy	The Costain people policy encompasses recruitment, development, reward, equality and diversity, health and wellbeing, compliance with labour/employment and data protection laws and regulations wherever we work. The board sponsor for this policy is the Group human resources director
Ethical business conduct policy	Bribery prevention; Fair and open competition; Insider dealing prevention; Fraud prevention; Whistleblowing are all covered by the Costain Ethical business conduct policy. The board sponsor for this policy is the Company secretary and legal director
Modern Slavery and Human Trafficking policy	The Costain Modern Slavery and Human Trafficking policy specifies the mandatory conditions of employment and contractual conditions for our suppliers. The board sponsor for this policy is the Group human resources director
Sustainable procurement and supply chain policy	The Costain Sustainable procurement and supply chain policy stipulates the conditions of all procurement activity, aligning outcomes to our responsible business commitment and 'leading edge' strategy. The board sponsor for this policy is the Group commercial director
Supplier code of conduct	Our code of conduct for suppliers sets out Costain's expectations for anyone working in contract with us. This includes matters such as health and safety, employee wellbeing, ethics and fair working conditions.
Standard contract clauses	Clauses on employment, health and safety, human rights and modern slavery are included as standard in all our contracts with suppliers. The clauses cover obligations on human rights and specifically on the prevention of modern slavery. The clauses include: right to audit; non-UK companies to act in accordance with UK law, even outside of the UK; the requirement to maintain policies and procedures; right to work checks; and the keeping of employment records.

Policies alone are not enough. We are fully committed to actioning and preventing unethical labour practices occurring in any part of our business operations or in any part of our supply chain. Our whistleblowing procedures ensure that there is a clear and straightforward process in place to report any concerns including modern slavery and human trafficking.

Working with our supply chain

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

There are two routes for a supplier to be approved to provide a subcontract service to Costain:

External accreditation	Internal verification
<p>All relevant strategic partners must be accredited by an Achilles scheme (Building Confidence being the preferred option). Achilles as an independent partner verifies our strategic partners (where significant risk exists) against our sustainable procurement requirements. Achilles provide data to our buyers, identifying areas for concern and potentially influencing procurement decisions. Achilles also complete supplier audits on behalf of Costain, this process includes compliance with the Modern Slavery Act. As the Achilles assessment is now based on CAS, Costain now also accepts Common Assessment Standard (CAS) assessments that have now been undertaken by other two industry approved CAS accreditation bodies (CHAS and ConstructionLine).</p>	<p>The Costain pre-qualification questionnaire (PQQ), is used to verify our supplier base who are not classed as strategic partners or preferred suppliers. The PQQ requires suppliers to provide copies of their Modern Slavery statement and associated policies as part of the process.</p>

As part of our sub-contract procurement process suppliers must complete a heat mapping exercise to identify risks and potential opportunities. Any trades/services that are identified as a high risk are audited before contracts are finalised.

Costain supply chain managers work with our highest risk suppliers, supporting them to raise awareness in their respective businesses, using training resources provided by the Supply Chain Sustainability School.

Raising awareness

Increasing awareness is an anti-slavery action that our business takes to help educate our colleagues and those in our supply chain. We mandate our modern slavery and sustainable procurement modules to relevant job families and all Costain employees are required to complete our annual code of conduct training, setting out the Boards expectations and the legal responsibilities of everyone working at Costain. A significant part of this interactive training is focused on ethical conduct and is introduced with a personal message from Alex Vaughan, chief executive officer. 3,075 employees completed this annual training requirement in 2021.

Our performance in 2021

We are committed to protecting workers from exploitation and we are pleased to report that in 2021 there have been no recorded incidents of modern slavery reported through our whistleblowing helpline or via our supply chain. However, we remain vigilant and pragmatic that unethical labour practices are a risk within our workforce and/or supply chain due to the breadth and depth of services and goods that we procure.

We have encouraged our strategic suppliers to sign up the Supply Chain Sustainability School's People Matter Charter, because we believe that a collaborative approach to managing labour standards is the right way.

We have also worked with our strategic suppliers to ensure all are active signatories to the Gangmasters & Labour Abuse Authority's Construction Protocol. We are pleased to report that 93% of suppliers have signed the protocol. We will be working with the remaining organisations in 2022 to support them in their participation.

We continued to implement our Prompt Payment Code action plan to seek to further improve to our payment efficiency for suppliers.

We have been working through our implementation plan to ensure that all Costain employees are receiving the Real Living Wage. We hope to achieve this by the end of quarter one 2022.

KPI's	2021	2020	2019	2018
Number of modern slavery issues reported through our whistleblowing helpline	0	0	0	0
Strategic partners publishing modern slavery statements	100%	100%	100%	Not measured
Modern slavery awareness training compliance for our people	91%	89%	88%	87%
Employee code of conduct training completions	3075	2479	N/A	N/A
% of strategic suppliers signed up to the GLAA Construction Protocol	93%	87%	91%	N/A

Our performance in 2021

KPI's		31 Dec' 2021	30 Jun' 2021	31 Dec' 2020	30 Jun' 2020	31 Dec' 2019	30 Jun' 2019
Prompt payment code compliance	95% of all invoices within 60 days	97%	95%	91%	90%	93%	84%
	95% of invoices paid within terms	87%	81%	74%	68%	72%	61%
	95% of invoices from businesses with fewer than 50 employees within 30 days	84%	N/A	N/A	N/A	N/A	N/A

Looking Ahead to 2002

Costain is committed to continuous improvement, and we will review, monitor and, where necessary, enhance our modern slavery standards, policies and procedures. We will continue to deliver modern slavery awareness training, code of conduct training and we will continue to encourage our supply chain to prioritise ethical labour practices by signing up to the Supply Chain Sustainability School People Matter charter.

This statement covers the period 1 January 2021 to 31 December 2021 and has been approved by the board of directors of Costain Group PLC.

Alex Vaughan
Chief Executive Officer

03 March 2022