



Costain Group PLC

Environmental, Social and Governance Report 2023



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

Financial highlights

2023	£1,332.0m	2023	£26.8m	2023	£72.0m
2022	£1,421.4m	2022	£34.9m	2022	£72.9m
Revenue	£1,332.0m	Operating profit	£26.8m	Adjusted free cash flow	£72.0m

“The Costain Board are focused on our increasing Environmental, Social and Governance (ESG) activities which allow us to be a sustainable and responsible business. ESG is a priority for the Group, our employees and for our customers, who value our insights and support to mitigate risks and realise opportunities in this area”

Kate Rock
Non-Executive Chair

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



Environment

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



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Social

Being a responsible business is not just about delivering a sustainable product or service, it is also about considering the social impact of how we operate.



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Governance

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



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Chief Executive Officer's introduction

Activating our purpose

I am delighted to share Costain's Environmental, Social and Governance (ESG) report, which contains many brilliant examples from the past 12 months where our people demonstrated their dedication to making Costain a more sustainable and responsible business. We continue to collaborate across industry to create a sustainable future for generations to come.

We continue to see huge opportunities to update, connect and integrate infrastructure systems, driven by challenges created by a growing population, climate change, and a need to increase economic and environmental resilience.

With rapidly increasing stakeholder expectations on all businesses to act responsibly, we believe Costain is well-positioned to be a leader in sustainable and responsible business practices. In 2023, we developed an ESG programme which sets out how we will address the materially important ESG issues for Costain. Our programme has ambitious goals and clearly identifies what we expect from our colleagues, partners and suppliers to meet them.

This is our fifth ESG report, which we produce not only because we are proud of our accomplishments, but also because we believe that being transparent about our performance aligns with our core values, specifically integrity. We use our annual report and accounts to report on the contracts that we are delivering for our customers and how these align with our purpose 'to improve people's lives', and this ESG report to share our responsible business performance. As a responsible business, we strive not to be the best in the world, but to be the best for the world.

Our ESG performance is the responsibility of every individual in our organisation. In 2023, our people delivered significant social value to local communities, deployed innovative solutions to protect our environment, and continued to drive quality to enhance delivery for our customers. Their great work was recognised through awards such as the National Sustainability Awards, British Construction Industry Awards, Water Industry Awards and the Royal Society for the Prevention of Accidents (RoSPA) Health and Safety Awards. A further testament to the high regard our people hold across the wider industry is demonstrated in the selection of Costain employee, Professor Julian Hasinski, to chair NATO's first-ever study into how the group should mitigate and adapt to the impacts of climate change.

Health and Safety is a core value, and over the last year, we recorded 13 reportable accidents from 30 million work hours. Our Accident Frequency Rate in 2023 was 0.04 while our Lost Time Injury Frequency Rate was 0.12. Following a fatality on one of our rail projects in 2022, we have influenced industry changes for best practice in lifting operations and from mid-2024 it will become part of CITB-accredited training for all those involved in lifting.

I am delighted to report that over the last year, our colleagues embraced a wide variety of fundraising activities in support of our long-term charity partner Samaritans. Through our campaign, we raised mental health awareness and contributed over £247,000 to this incredible charity. During the year, I visited a Samaritans call centre and I was proud to be joined by Costain colleagues who volunteer their time to be Samaritans listening volunteers, helping to ensure their services remain available to those in need, 24 hours a day, seven days a week (see page 18). We will continue to drive the importance of our people's wellbeing in 2024 through the appointment of a new wellbeing manager role. This means that work wellbeing will have a more strategic focus going forward, ensuring it sits at the heart of Costain culture.

Costain for the second year has voluntarily disclosed its ethnicity pay gap, forming part of an integrated pay report alongside the statutory gender pay gap disclosure. In 2023 we saw a 2.2% reduction in Costain's gender pay gap, however, the pay gap had widened year-on-year for Asian (1.75%) and mixed heritage colleagues (1.45%), despite a 0.25% reduction for Black colleagues.

We continue to proactively address our gender pay gap and in 2023, we launched a pilot development programme to support women to progress in their careers, building on the feedback of our women's network. Following the success of the development programme, Costain will be rolling out a second intake in 2024.

We were delighted to be accredited as a Best Companies 1 star 'A Very Good Company to Work For' in 2023, increasing our overall engagement score compared to 2022, demonstrating our commitment to making Costain a great place to work. We have invested in developing a new job architecture, which helps us improve fairness and transparency of reward and is a key enabler for future people initiatives. We continue to work closely with our employee networks to listen and use feedback to help shape our future people priorities.



2023 ESG highlights



We're also proud owners of the following awards:





Chief Executive Officer's introduction continued

Costain plays a significant role in enhancing the prosperity of local communities by channelling our spending with small and medium-sized enterprises (SMEs). In 2023 Costain spent £650m with SMEs, representing 38% of Costain's total spend, exceeding the UK Government target of 33%, and consistent with the FY22 performance of 38%.

Our continued commitment to corporate governance, sustainable procurement and being an ethical business has been demonstrated throughout the year. We undertook a strategic supplier review to ensure alignment with our standards, policies and goals, including a significant emphasis on ESG topics. We have introduced our supplier labour desk, which ensures we have a streamlined approach to resourcing through organisations that meet our social responsibility standards, including ethical labour, real Living Wage, and diversity and inclusion.

We continue to build our quality culture of right first time, having reissued our Costain 'do it right' guide, with new sections including water management, carbon reduction, biodiversity net gain and archaeology, to support the development of our engineers and projects. We also saw the successful rollout of our production thinking e-learning modules to further drive quality, predictability, safety and low carbon thinking into our delivery teams.

The environment is another core value, and I am proud to announce that in 2023 we reduced our total emissions by 10% compared to 2022. We continue to implement our climate change action plan which has seen success in 2023 with the achievement of 'Gold' status for the Supply Chain Sustainability School Plant Charter, roll out of our low carbon materials mandate to reduce embodied emissions and sustainability awards won by projects such as the M6 J21a-26, Cadent Gas HP27/29 and our Anglian Water Strategic Pipeline Alliance scheme. We will continue using our industry-leading expertise to test boundaries of innovation and drive sustainable infrastructure solutions alongside our customers while working collaboratively to exceed and enhance industry standards.

Decarbonising our business is a priority and we have taken steps which in the longer term will see our footprint reduce. When normalised by turnover (tCO₂e/£M), emissions have reduced by 2% compared to our 2021 baseline. We have absolute greenhouse gas emissions (including Scope 3) as one of our key non-financial performance indicators (see page 11) and through 2023, we have worked with the Science Based Target initiative (SBTi) to validate Costain's near-term and net zero targets and we are pleased to report these were approved in February 2024. For the second time, we have included the embodied emissions of our most carbon-intensive materials (concrete, steel, aggregate and asphalt) within our reported Scope 3 emissions, alongside our mandatory emission sources (see page 11).

The implementation of Costain's hydrotreated vegetable oil (HVO) fuel mandate has contributed to a 24% reduction in Scope 1 emissions. HVO made up 88% of our fuel mix in 2023, increasing by 8% year-on-year. We also achieved a 6% year-on-year reduction in natural gas use within our offices and expect this trend to continue in 2024 as we implement significant improvements to our Manchester office.

While our Scope 1 and 3 emissions decreased year-on-year, there was a 36% increase in Scope 2 emissions. We attribute this increase to two factors; an increase in projects using mains-supplied electricity rather than generators (supporting the Scope 1 emission reduction); and major tunnelling operations occurring on our High Speed 2 contract.

To drive our transition to the exclusive use of lower or zero carbon materials, a new materials working group was created and chaired by Costain's chief engineer. The working group, made up of specialist sustainability engineers introduced a low carbon materials mandate in 2023. As an endorsement of our progress, we were rated 'B' by the Carbon Disclosure Project (CDP), maintaining our 'B' rating from 2022. We expect to see our rating increase in 2024 following the validation of Costain's science-based targets.

As part of our focus on innovation and decarbonising how we deliver infrastructure projects, our team working on our National Highways A30 Chiverton to Carland Cross scheme has been the first UK Highways project to use 3D printing of concrete instead of pre-casting the material offsite. This solution could offer cost, programme, and carbon efficiencies if scaled up.

In June 2023 we completed the Preston Western Distributor project, opening the new road to traffic. Through the construction of the road, we innovated to save the equivalent of 6,134 tonnes of carbon dioxide emissions, which equated to financial savings of almost £7m. Additionally, 55% of employees (including from the supply chain) came from the local area, with 10 apprentices from local colleges employed on the programme.

As this 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 responsible business, we agreed a £85 million sustainability-linked revolving credit facility in 2023. This facility is linked to our ambitious ESG targets. As such, it illustrates our ongoing commitment to being a sustainable business, and this report evidences our continued progress.

Alex Vaughan

Chief Executive Officer
11 March 2024



Alex and fellow colleagues on a sponsored walk, raising money for Samaritans.



Business model

We work to shape, create and deliver infrastructure projects for our customers.

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 lifecycle, in strategy, operations and asset creation.

We do all of this as either a construction, consultancy or digital partner.



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.



Smart thinking: saving water

Anglian Water's new strategic pipeline is a fundamental part of its Water Resources Management Plan. The Strategic Pipeline Alliance (formed by Costain, Jacobs, Mott MacDonald Bentley and Farrans) is enabling the efficient delivery of Anglian Water's physical assets. This includes an ambitious plan to create a series of up to 500km of interconnecting pipelines and associated infrastructure to move water from areas of surplus in Lincolnshire down to the drier south and east of the region.

Using traditional commissioning methods for the new pipeline would require c.1.5 billion litres of water. Applying conventional commissioning would also impact the environment through large discharges, higher pollution risk and added carbon through extra water production, lagoon construction and programme time. Low water commissioning uses a fraction of that water, by using compressed, dry, and clean air to drive slugs of water between swabs to clean and disinfect the pipes, meaning cleaning the same 1km length of pipe would need 190 baths of water instead of 3,800. Two trials have taken place, the results from which led to the creation of a low water commissioning strategy. The trials showed water savings of 85%, but it is forecast that savings could be as high as 95% if learnings from the trial are implemented.

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

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



Informing our approach to responsible business

The prioritisation of the right sustainability issues is crucial and perhaps has never been as important as it is today. Because of the rate of social and environmental change at both a micro and macro level, we have increased the frequency of our materiality assessment.

Data-driven materiality analysis

In 2023, we conducted a double materiality assessment to help inform Costain’s business strategy and operations, guide our disclosure and help us identify stakeholder priorities to enhance our engagement. The process allowed us to both validate known important issues and identify new or emerging issues that may impact our Company, as well as the potential impact our business and operations may have on the environment and society.

We conducted this assessment using Datamaran, a software analytics platform that uses artificial intelligence (AI) to assess thousands of data points to support our materiality assessment and modelling.

Through this smart, data-driven process, we can focus on the key issues that matter; monitor changes and be agile when responding to stakeholders; and advance internal collaboration and leadership knowledge.

The analysis was used to develop an ESG programme, focused on the issues that are materially important to Costain (see page 6).

Material issues for our stakeholders

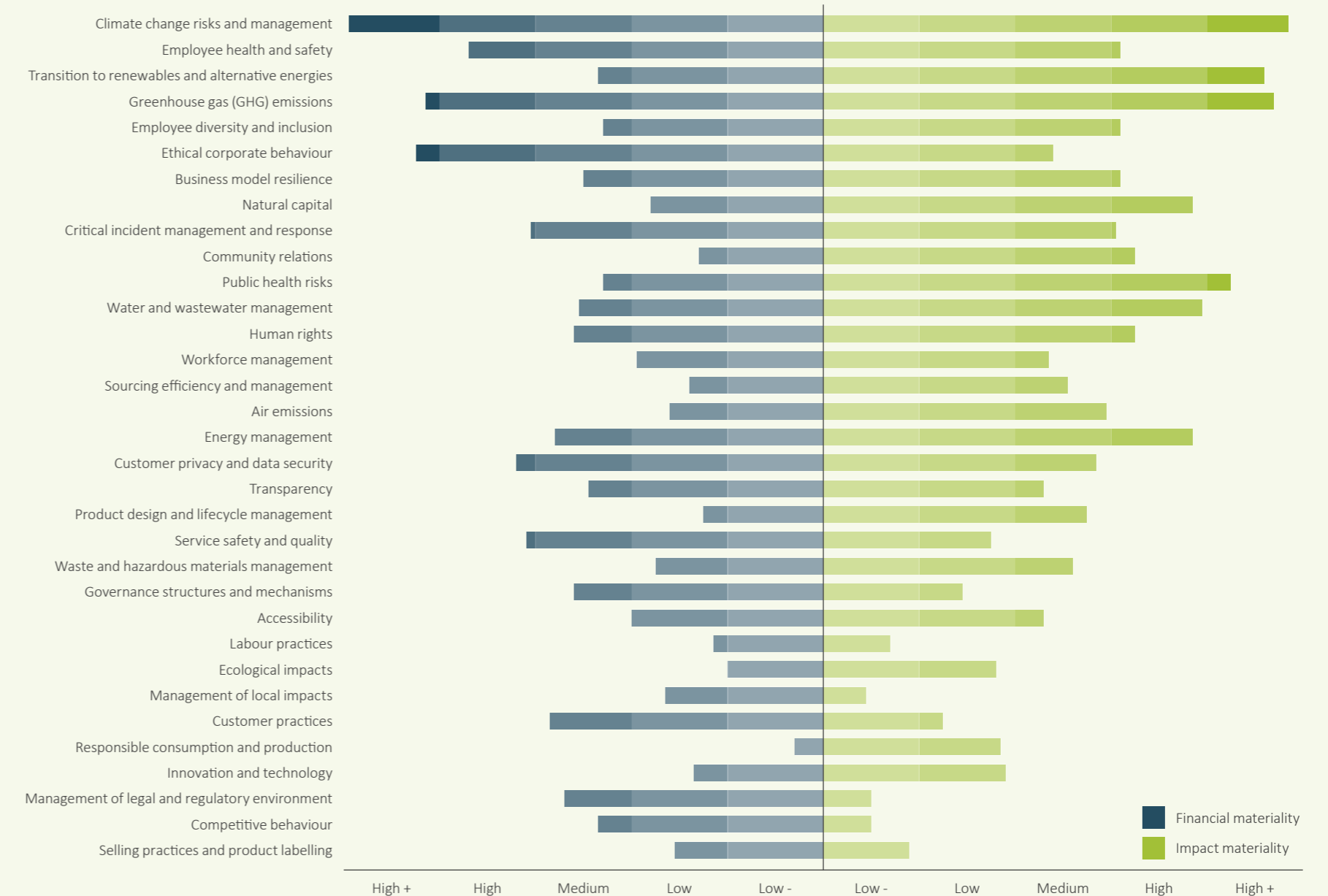
Our latest materiality assessment continued the trend from our 2022 assessment, with environmental and climate-related issues continuing to increase in importance across both axes as a reflection of the urgency of the climate crisis and how this is shaping our markets. Climate change risks and management ranked as our most material issue, followed by employee health and safety. We continue to place the highest emphasis on safety and are pleased to report our progress on page 21.

Another notable issue ranking highly is ethical corporate behaviour, highlighting a shift in the expectations on corporate organisations (see page 26).

“This AI enhanced double materiality assessment has provided us with stakeholder insights from thousands of data points, helping provide a deeper understanding of our risks and opportunities, ultimately leading to a safer, more sustainable future for all.”

Callum McCabe
PMO Analyst

Costain’s double lens materiality assessment





Our 2030 ESG programme

Costain’s strengths of dealing with complexity and building partnerships, ensure that we thrive in a new and dynamically changing world. We strive to be a strategic partner to our customers, helping them to meet their critical infrastructure needs.

Our ESG programme

For over 15 years, ESG has been a priority for Costain to ensure we act as a responsible and sustainable Company. There are huge opportunities to update infrastructure and systems, but challenges including a growing population, climate change, and economic and environmental resilience are increasingly urgent. To address these growing challenges, in 2023 we developed a 2030 ESG programme to support the delivery of our sustainable business principles in the short to medium term. Using our double materiality assessment, we have developed our programme focusing on those governance, social and environmental issues that matter to us and our stakeholders. The programme sets out our 2030 goals and ambitions, KPIs, plans and the business case for action on issues such as climate change, nature, water resources, health and safety, and diversity and inclusion.

To meet our goals, we will collaborate with our stakeholders, ensuring that we are inclusive in our approach and that all parties can realise the value of their contribution. We will commit to meeting their needs and will be clear with our expectations in return.

To achieve the best possible solutions and make infrastructure fit for a better future, we are collaborating more closely than ever with customers, partners, communities and the wider industry.

Being a responsible business for us is not a matter of being altruistic, we know that excellent ESG performance can boost business opportunities, improve profitability and position Costain as market leader.

“This programme brings together our ambitions, goals, targets, and enablers; showing how we will create environmental, social and economic value for all, now and into a more sustainable future.”

Catherine Warbrick

Chief People and Sustainability Officer

2030 ESG framework

Environment

- Carbon
- Nature
- Resource efficiency

Our ambition: Safeguard our planet’s future

We are focused on creating a more sustainable world by ensuring our projects and programmes deliver sustainable infrastructure through low carbon engineering, efficient use of resources, following circular economy principles and incorporating resilience to climate change.

Our 2030 goals:

- Net zero carbon by 2035
- Nature positive
- 30% reduction in water use from operations compared to a 2023 baseline

Programme milestones:

- 2024** – Improve the maturity of our Scope 3 emissions data
- 2025** – Launch our water resource strategy
- 2030** – 50% reduction in plant emissions/net zero company car fleet/procuring 50% low carbon concrete
- 2030** – Emissions intensity to be < 5tCO₂e/£M

Social

- Employee diversity and inclusion
- Community and social value
- Employee health and safety

Our ambition: Create a positive lasting legacy for our people and communities

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 our impact on stakeholders.

Our 2030 goals:

- A psychologically safe workplace with an engaged, thriving and representative workforce
- Our solutions and social value initiatives will improve over one million lives
- Eliminating harm in all we do

Programme milestones:

- 2024** – Achieve Disability Confidence Leader accreditation
- 2024** – Launch the next phase of SHE strategy
- 2027** – Enable a fully data driven approach to diversity monitoring
- 2028** – Improve over 500,000 lives
- 2030** – Have a representative workforce at all levels of the organisation

Governance

- Ethical corporate behaviour
- Climate change resilience
- Quality

Our ambition: Deliver strong sustainable, financial and ethical performance for our stakeholders

Our approach to being a responsible business is underpinned by a commitment to maintain high standards for corporate governance.

Our 2030 goals:

- Our stakeholders rate us as an ethical company
- 30% revenue from ‘green projects’
- Right first time

Programme milestones:

- 2023** – Roll out updated code of conduct training (completed)
- 2025** – Compliance with ISSB reporting requirements
- 2026** – All relevant strategic suppliers to have completed ethical labour audit
- 2027** – Compliance against Taskforce on Nature-related Financial Disclosures (TNFD) requirements



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Environmental

Our materially important environmental issues:

Climate change

Resource efficiency

Nature

We are acting today to tackle the environmental challenges facing our planet, ensuring we safeguard its future for generations to come. Our focus encompasses the intricate nature of sustainability, aiming to mitigate our environmental impact and contribute to a low carbon future.

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

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

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



Environmental governance

Costain’s environmental management system (EMS) 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 committed in our approach to minimising our impacts where practicable.

Contributing to a thriving environment and cleaner world forms a clear part of our ESG programme and annual safety, health and environment (SHE) plan, and our environmental risks have been embedded in our Group risk management and strategic business processes. Our established climate change action plan continues to form the focus for our clean growth, and net zero activities, and we will launch a nature positive plan (NPP) in 2024. Nature contributes more than half of the world’s economic output – yet most companies, investors and lenders today inadequately account for nature-related risks and opportunities in their decisions. With the emergence of the Taskforce on Nature-related Financial Disclosures (TNFD) and Science Based Targets for Nature (SBTN) this is quickly changing, and we are taking action to ensure we are contributing to the protection and recovery of nature.

Our ESG governance has grown from a greater understanding of our direct environmental impacts to encompass climate change, and is being further developed to ensure decision-making functions take all material risks and opportunities into account.

Within our projects, we are often in the position of leading or advising through the planning approval process such as Development Consent Orders (DCO), and our teams ensure environmental considerations are accurately assessed and mitigations integrated into plans. Working collaboratively with our customers, we influence the solutions and whole-life impacts of infrastructure that is delivered. 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. Together we are creating connected, sustainable infrastructure to help people and the planet thrive.

Environmental incidents

	2023	2022	% change
Major environmental incidents	0	2	-100%
Environmental incident frequency rate	0.18	0.10	80%

0.18

Environmental incident frequency rate (EIFR)

30%

Board meetings where climate-related matters were discussed

In 2019 on our A19 road scheme during carriageway jetting and sweeping works, we breached the condition of our environmental permits and caused silt pollution of the River Don.

Our assurance of water management has been strengthened during 2023, with an updated contract targeted risk monitoring checklist and improved external SHE assurance review processes/questions. Following the Environmental Agency investigation Costain offered an enforcement undertaking, which was accepted, and a payment of £55,000 was made to the Tyne Rivers Trust, to fund the improvement of water quality in the River Don catchment. A completion certificate was issued by the Environment Agency on 15 August 2023.

Managing environmental risks

Through our eliminating harm initiative, which has trained our employees and supply chain, we have sought to eliminate environmental risks at the earliest stage of the project lifecycle. 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 customers.

We have a team of over 60 environmental professionals who ensure we are constantly striving to eliminate impacts and protect the environment and local communities. Each of our contracts produces an aspects and impacts register to identify the specific environmental risks and opportunities and an environmental management plan is written and implemented to deliver our EMS requirements, and consents or commitments agreed in planning.

Climate governance

We implement a top-down and bottom-up approach to engaging with climate risk and our carbon impact. Climate-related risk and carbon reduction are a clear focus throughout the business, from cutting our emissions to contributing to the UK’s energy transition and climate change adaption. The Executive Board monitor emissions data and the ongoing completion of carbon training of senior managers and employees. During 2023, the monthly SHE Executive Committee meetings discussed topics and made decisions surrounding our 2023 focus on fuel transition, the Science Based Targets initiative (SBTi) and the adoption of low carbon materials. This information is cascaded down through monthly divisional and sector SHE meetings, where climate change and engagement with our carbon data dashboards are key discussion areas.

Climate risk adaptation and mitigation

By incorporating climate risk considerations into strategic planning, we aim to safeguard our operations against emerging challenges. With climate changes causing more variable weather across the globe, in 2023 we completed a climate change vulnerability assessment for common construction materials. The assessment identifies the sensitivity of materials to changes in temperature (unseasonably high or low), extreme precipitation and wind during the construction stage.

Through this work, we have a greater understanding of the risks to our supply chain and project delivery teams caused by extreme weather and some of the current adaptation/mitigation technologies. This work will be regularly reviewed and updated to identify and integrate new and novel materials and industry best practices. Work in 2024 will be focused on the mitigation and adaptation our project teams will need to implement during prolonged periods of extreme weather.

Third-party certifications

	Number	Name and type
(1) Projects certified to a third-party multi-attribute sustainability standard	1	A30 Footbridge – BREEAM Infrastructure
(2) Active projects seeking such certification	4	A465 – CEEQUAL A30 Chiverton to Carland Cross – CEEQUAL HS2 SCS JV – BREEAM Infrastructure Devonport 10 dock – BREEAM Infrastructure & DREAM





Climate change

Costain’s decarbonisation strategy is centred around our climate change action plan (CCAP), launched in 2020, and outlines our journey to net zero emissions across Scope 1, 2 and 3.

Our journey sets out ambitious targets for emission reduction but also underscores our role in contributing to a low carbon, climate resilient future. In creating our CCAP we engaged with our strategic suppliers to integrate their carbon data and net zero ambitions. The CCAP covers both the actions of our day-to-day operations, outlined through our roadmap, but also how we can influence and drive the wider industry.

Highlights from 2023 include:

- We achieved ‘Gold’ status for the Supply Chain Sustainability School Plant Charter, a year after gaining ‘Silver’.
- Costain was part of the Anglian Water Strategic Pipeline Alliance which won both the ‘Carbon Reduction Award’ at the 2023 National Sustainability Awards and the ‘Carbon Net Zero Initiative of the Year’ award at the British Construction Industry Awards for their disruptive carbon approach and its project design optimisation.
- We secured a ‘B’ rating from the CDP disclosure for the second year in a row.
- Our near-term and net zero target has been validated by the Science Based Target initiative (SBTi).
- We rolled out our first materials mandate, which outlined five key requirements on our projects and designers, to reduce embodied emissions and improve our analysis of our monitoring and reporting.
- 100% of company car options are now either electric or hybrid models. As such, 90% of company cars driven in 2023 were either electric or hybrid, meaning we are ahead of our fleet decarbonisation targets.
- Our M6 J21a-26 project won a Green Apple Award for their work at reducing construction plant and van fleet emissions.
- We raised the quality of our contract carbon reduction plans, for the second year, requiring contracts to report and act on their carbon impact throughout the year.
- 57% of our 2023 bids included a low carbon solution as part of our response. We are working on raising this to 100%.

Climate change action plan progress

We have made good progress against our CCAP targets and carbon is now part of everyday language throughout the business. The CCAP has been at the forefront of our corporate approach to sustainability and creating a force for change across our operations. We have been a PAS 2080:2016 certified business since 2020 and are aiming to be recertified to the new 2023 standard in 2024.

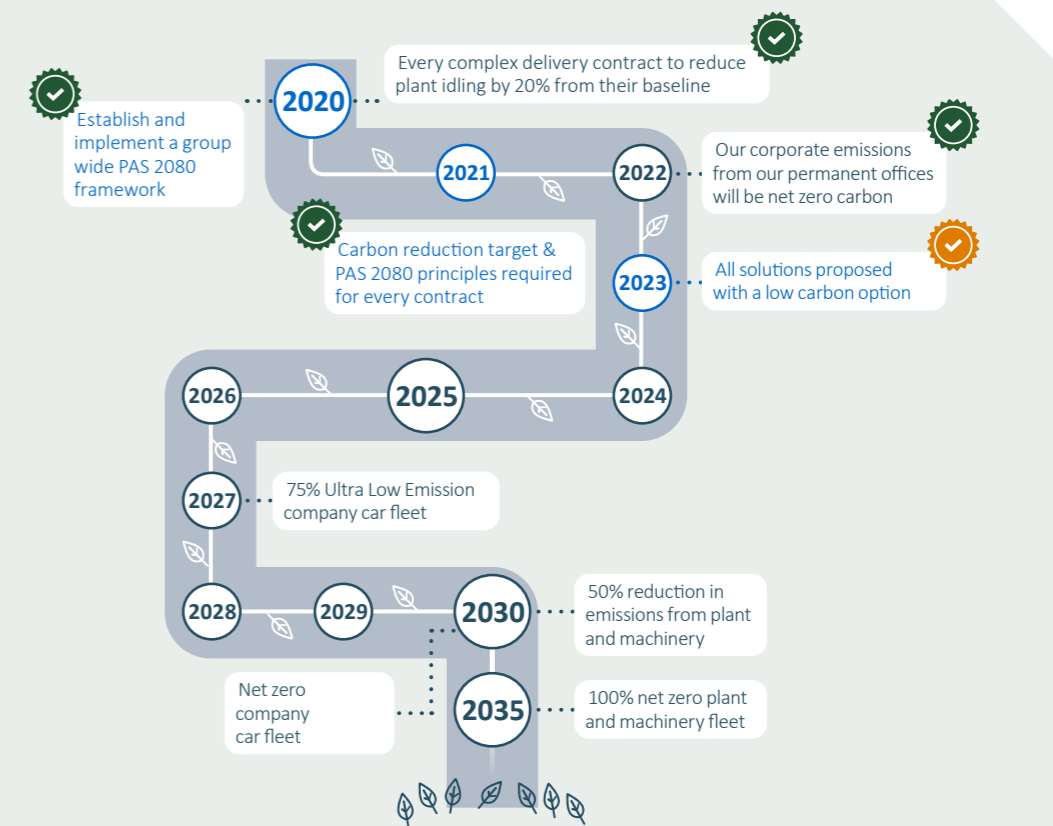
Our vehicle fleet transition plan is ahead of our company car fleet targets, and we continue to focus on our car allowance transition. Since 2021, our projects have submitted monthly carbon data including plant idling data, allowing our teams to actively assess our activities against construction year baselines and deliver tangible actions to reduce emissions. We are pleased to report the following progress against our climate change roadmap on the graphic to the right.

We recognise there is still a lot to do. Therefore, in 2024 we will release an update to the CCAP and our roadmap which will focus on:

- a clear reduction pathway across all Scope 3 emissions hotspots
- integrating our net zero material roadmaps
- continuing our ongoing engagement with supply and value chain partners to work collaboratively to improve our business-as-usual approach
- evolving our plant and compound standard, integrating the next stage in our fuel transition
- digitising our carbon quantification and management approach.

68%

of employees understand their role in helping Costain to become net zero



2023 Target	2023 Progress
Roll out and monitor the implementation of our first low carbon material mandate.	The low carbon material mandate was launched in Q1 2023 and was supported by technical briefing notes and lunch and learn sessions. 67% of our design projects were able to implement the mandate during the period.
Continue to report yearly project baseline and monthly reporting and implement reduction actions.	All contracts achieved their target to submit monthly emission data and monitor progress against their annual action plans, with 66% achieving a reduction against their baseline. Progress against reduction targets was monitored on our Group divisional dashboard.
From June 2023 all customers will be provided with proposals that have low carbon options.	57% of our complex delivery bids integrated low carbon solutions during 2023, including the inclusion of our low carbon material mandate, PAS 2080 aligned carbon management system and material, process or efficiency reduction measures.
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.	In 2023 we reviewed our approach to Scope 3 data collection, completing an initial screening exercise and applying an environmentally extended input-output approach (EEIO) to our annual spend inventory. This spend-based approach has been combined with our existing material and product-based approach.

2024 Targets
Projects are to continue to report monthly carbon data, monitor against project baselines, actively work towards a reduction target and set a carbon reduction plan relevant to activities in 2024.
Align our carbon management system to the new PAS 2080:2023 carbon management standard.
Roll out our supplier-sourced project data tool to support our move to increased material quantity and specification-based approach for calculating carbon emissions across the business.
Continue to integrate low carbon solutions into our 2024 proposals.
Complete quarterly carbon and biodiversity net gain (BNG) assurance assessments of our relevant projects, achieving at least ‘minimum compliance’ levels.
Complete a company-wide commuting and homeworking survey to increase the accuracy of these Scope 3 emission sources.



Climate change continued

We continue to drive ambitious climate change action to achieve our net zero targets, working alongside industry to create collaborative solutions to complex energy challenges.

Energy and decarbonisation

Costain is playing an important role in finding solutions to the challenges of decarbonisation of energy in the UK through excellence in engineering and delivery. In energy transition, we are active in several industrial clusters designing transportation and storage solutions for CO₂ and hydrogen networks, that will be at the heart of networked industrial decarbonisation. Our work ranges from conceptual studies on a regional decarbonisation pathway, considering repurposing of the gas grid, to decarbonisation of home heating, to front-end design on the pipeline network that will connect CO₂ emitters to Teesside to a permanent carbon store. In energy resilience, we design and deliver solutions that support reduction in emissions, increase process efficiency and extend facilities lifetimes. In energy connectivity, we manage the delivery of essential upgrades to the gas distribution network, making it safer and reducing the risk of methane emissions.

Collaborating across industry

Costain continues to contribute to research into low carbon construction including Future Roads (Building Trustworthiness in Carbon Data to Achieve Net-Zero Across the Highway Infrastructure Life of Highway Assets); low carbon concrete with the Nuclear Decommissioning Authority and concrete infrastructure research group with Cambridge University. Our decarbonisation team are working on various fleet decarbonisation and decarbonised industrial cluster projects which help to stimulate the circular economy, bringing together our experts in systems thinking, decarbonisation, clean energy, digital technologies, construction, innovation and behavioural science to create a truly integrated low carbon solution.

Decarbonising the East Coast Cluster

Costain has completed the front-end engineering design (FEED) stage for key onshore elements of the East Coast Cluster (ECC) – Net Zero Teesside Power (NZE Power) and the Northern Endurance Partnership (NEP) – in the industrial heartland of Teesside. NZE Power, a joint venture between BP and Equinor, aims to be the world’s first commercial-scale gas-fired power station with carbon capture technology and could generate up to 860 megawatts of low carbon power – equivalent to the electricity requirements of around 1.3 million UK homes. The NEP, a joint venture between BP, Equinor, and Total Energies, is the CO₂ transportation and storage provider for the ECC. The schemes will transport around 4m tonnes of CO₂ a year to secure offshore storage sites in the North Sea.



Find out more / www.costain.com/news/news-releases/costain-completes-latest-milestone-for-pioneering-east-coast-cluster-carbon-capture-projects/

Costain to chair NATO study on climate change mitigation and adaption

Costain’s Professor Julian Hasinski has been selected to chair NATO’s first-ever study into how the group should mitigate and adapt to the impacts of climate change. The study, led by the NATO Industrial Advisory Group (NIAG), will advise NATO on what operational changes need to occur in response to climate change and what investments are needed to future-proof its assets.

The study is the first of its kind awarded to the NIAG. The study team of 25 defence contractors from the NATO nations, including BAE SYSTEMS, Thales and Leonardo, will be led by Professor Hasinski and will meet over the next year. The team will examine NATO’s assets, platforms, and interoperability across maritime, air and land, including aircraft, weapons, and radio systems. The study will use insights generated from all contractors to make recommendations on both mitigation and adaptation strategies. One of the most important recommendations from this study will be how NATO adapts its fuel requirements. NATO currently has a single fuel policy across its land, sea and air assets. However, as nations move towards net zero, the available fuels will change dramatically. Future-proofing fuel requirements for assets and operations will therefore be critical.



Find out more / www.costain.com/news/news-releases/costain-to-chair-nato-study-to-tackle-impacts-of-climate-change-on-global-defences/



Science Based Target initiative (SBTi)

The SBTi is a partnership between CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It aims to drive ambitious climate action in the private sector by enabling organisations to set science-based emissions reduction targets.

During 2023 our science-based target submission went through the verification process, and we are pleased to announce that Costain’s targets have been approved by the SBTi. The SBTi defines and promotes best practice in emissions reductions and net-zero targets in line with climate science. They independently assess and approve companies’ targets, providing key clarity and guidance, to ensure that targets translate into action that is consistent with achieving a net zero world by no later than 2050. By driving down our emissions using an approved absolute science-based approach we are aligning our climate transition to a 1.5°C mitigation pathway.

Costain’s near-term and net zero targets are as follows:

- Overall net-zero target: Costain Group PLC commits to reach net zero greenhouse gas emissions across the value chain by 2050.
- Near-term targets: Costain Group PLC commits to reduce absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 base year. Costain Group PLC also commits to reduce absolute Scope 3 GHG emissions by 42% within the same timeframe.*
- Long-term targets: Costain Group PLC commits to reduce absolute Scope 1 and 2 GHG emissions 90% by 2050 from a 2021 base year*. Costain Group PLC commits to reduce absolute Scope 3 GHG emissions 90% within the same timeframe*.

* The target boundary includes land-related emissions and removals from bioenergy feedstocks.

We acknowledge that our science-based net zero target timeframe is over a longer period than our current CCAP target, however, we have set our updated reduction targets considering a better understanding of our trajectory and those of our key materials suppliers. We recognise the urgency of the climate crisis, and as such our commitment and ambition to reduce our absolute emissions remains steadfast, with a separate and more accelerated CCAP target ambition now sitting within an overarching science-based approach. We will collectively work to reduce emissions to proactively contribute to global climate mitigation efforts. All direct emission reductions will be prioritised and all residual emissions neutralised in line with SBTi criteria before reaching net zero emissions is achieved.





Climate change continued

2023 Streamlined energy and carbon reporting

GHG Protocol Corporate Standard classification	2023	2022	2021
	Total emissions	Total emissions*	Total emissions*
Scope 1	4,876	6,426	11,561
Scope 2, location based	1,299	958	1,032
Scope 2, market based	187	56	1,697
Scope 3	313,058	348,195	266,392
Scope 3 breakdown:			
1. Purchased goods and services	302,215	336,859	255,221
2. Capital goods	15	33	21
3. Fuel and energy related activities	3,275	4,760	5,148
4. Upstream transportation & distribution	4,668	3,259	3,099
5. Waste generated in operations	325	952	1,156
6. Business travel	1,930	1,687	1,151
7. Employee commuting	579	565	503
8. Upstream leased assets	51	80	93
Total tCO₂e	319,233	355,579	278,985
Total tCO₂e/£m	239.66	250.16	244.63
Scope 1 & Scope 2 tCO₂e	5,922	7,384	12,593
Scope 1 & Scope 2 tCO₂e/£m	5	5	11
Outside of Scope tCO₂e	10,855	9,870	1,206
Energy breakdown:			
Gas (kWh)	1,385,742	1,474,691	1,915,377
Electricity (kWh)	5,542,724	4,663,809	4,787,774
Transport (kWh)	60,035,226	57,638,246	21,866,998
Other energy sources (kWh)	6,592,750	9,354,541	28,779,401

* Restated figures for 2021 and 2022 based additional data obtained after reporting.

Our emissions data has been independently verified and certified by Toitū carbonreduce programme, aligned to the GHG Protocol Corporate Accounting and Reporting Standard (2015) and the international carbon reporting standard ISO 14064, Part 1:2018. 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.

The following Scope 3 categories are not included in our reported footprint as they are not relevant or have limited materiality to Costain's operations: downstream transportation and distribution, processing of sold products, use of sold products, end of life treatment of sold products, downstream leased assets, franchises and investments.

Scope 1

Our Scope 1 emissions have been reduced for the second year in a row. This success is mainly down to the impact of our Hydrotreated Vegetable Oil (HVO) mandate. HVO now makes up 88% of our fuel mix. However, we acknowledge that this is only a transition fuel and we must not rely on its reduced reportable emissions to drive down our Scope 1 impact. In 2023 we helped fund and participated in a Supply Chain Sustainability School-led HVO procurement guidance working group, to improve industry procurement practices on HVO. In 2024 we continue to scale up our site fuel transition. We are also embracing improved technology and behavioural science to drive down plant emissions. Our National Highways M6 J21a-26 introduced a plant and van idling campaign which changed diesel to HVO biofuel in directly hired plant, worked with the supply chain on enhanced telematics monitoring of idling and implemented behavioural training, which reduced plant idling from 56% to 18% in 2023. In our offices we have annual energy usage reduction targets. At our Manchester office work is underway to replace the current HVAC system with a heat recovery system, removing the need for the current gas supply which will reduce our Scope 1 emissions further.

Scope 2

Our Scope 2 emissions have increased 36% from 2022. This increase in emissions is a direct result of both an 18% increase in consumption within our operations and the impact of increased natural gas used to generate electricity, and lower renewables mix within the average grid mix in 2023, increasing the BEIS carbon factor for electricity generation by 7% from the previous year. Our rise in emissions is attributed to the increase in grid-connected sites, coupled with energy-intensive activities at our SCS HS2 JV operations. Within the business, we have a focus on connecting our project sites to the grid as the greenest form of power generation. Our facilities management team during 2023 targeted energy reduction within our offices, achieving an overall 3% reduction in electricity across our five corporate offices through a combination of improvements to office smart metering systems and active management to reflect the hybrid approach to office use.

Our 2021 and 2022 Scope 2 figures have also changed from previous reports. During our review of data this year we have corrected a calculation error from our audited baseline figure and updated the 2022 emissions post our Toitū carbonreduce audit. A separate Electric EV Scope 2 figure is now included within our total.

Scope 3

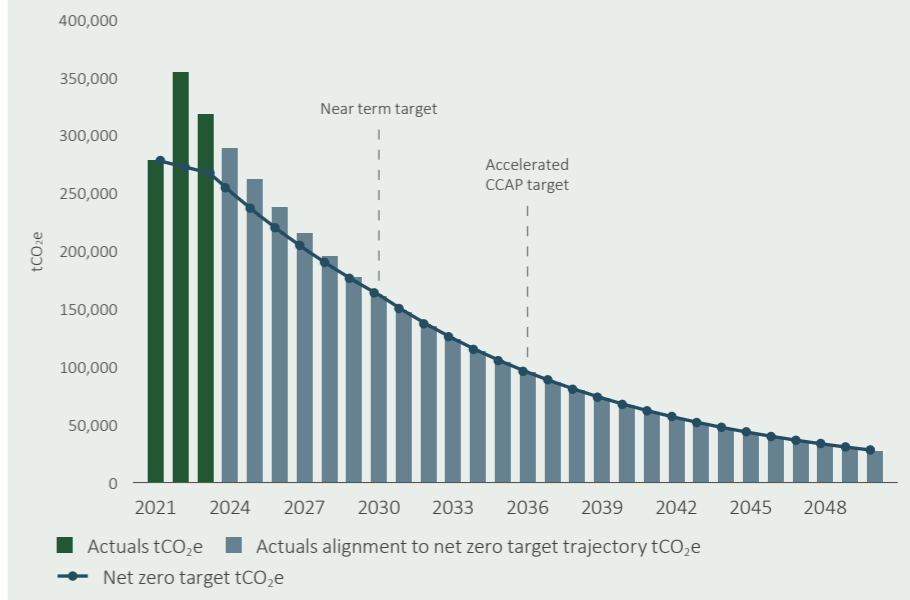
During 2023 we reviewed our approach to Scope 3 data collection, completing an initial screening exercise and applying an environmentally extended input-output approach to our annual spend inventory. While spend-based accounting is a valuable tool to screen Scope 3 emissions and identify carbon hotspots, we acknowledge these hotspots should then be a focus to move to methods with greater accuracy. This spend-based approach has been combined with our existing material and product-based approach, utilising A1-A4 carbon data from our key concrete, aggregate, asphalt and steel suppliers. In doing so we have extended our reporting boundaries by adding an three additional GHG Protocol categories: capital goods, employee commuting and upstream leased assets.

Our Scope 3 emissions reduced by 10% against 2022, with reductions across all Scope 3 categories except employee commuting and upstream transport and distribution. Our largest Scope 3 category remains purchased goods and services, making up 95% of our total footprint. Our focus is to increase the transition towards supplier data wherever possible in future reporting. During 2024 we will be rolling out the first annual employee commuting and homeworking survey to increase the accuracy of our commuting data and include homeworking within our footprint, to reflect the changing hybrid work environments.

Emissions intensity

	(Metric tonnes of CO ₂ e/£m)			
	2023	2022	2021	% Change (since 2022)
Scope 1	3.66	4.52	10.14	-19%
Scope 2	0.97	0.67	0.91	45%
Scope 3	235.03	244.97	233.59	-4%
Total	239.66	250.16	244.63	-4%

Net zero pathway



10%
reduction in Scope 1, 2 and 3 emissions (since 2022)



2%
decrease in tCO₂e/£m emissions (against our 2021 baseline)



Climate change continued

Sustainable design

Material use is inherent to engineering design and construction, but construction materials have high levels of embodied carbon and their extraction and manufacture have significant impacts on the environment and society. Cement production alone accounts for 8% of global carbon emissions and concrete accounts for around 25% of embodied carbon in UK construction. At Costain, concrete, steel, aggregate and asphalt account for a large proportion of our annual carbon emissions. Therefore, any steps we take to reduce the volume of materials we use and influence the use of more sustainable materials will significantly reduce our annual emissions and our impact on the environment and society. In 2023, we launched a materials mandate which focuses on three tangible requirements for our concrete and asphalt use and two mandated changes to the contract clauses of our designers and suppliers. Under the mandate, the following actions must be taken by our projects and suppliers:

- Concrete mixes using 100% CEM1 cement type must not be used or specified.*
- Standardised prescribed concrete mixes (ST1-5) must not be used or specified.*
- Warm mix asphalt (WMA) must be used in place of hot mix asphalt across all projects.*
- All concrete, steel and aggregate suppliers must provide carbon data for their products.
- All 3D models must have material data embedded to support carbon quantification.

An integrated low carbon approach

In May 2023, we held a leadership impact day, where our whole business stood down to spend time discussing the day's theme 'increasing my contribution to meeting net zero', encouraging all colleagues to take responsibility for reducing our contribution to climate change in our respective disciplines. Working in infrastructure delivery, every role in Costain has an important part to play in delivering our climate change action plan. During the company-wide stand-down day, our leaders visited our project sites and joined the activities and discussions that took place with customers, partners and our supply chain. Project teams were tasked with engaging with their carbon data and reduction targets further and producing or updating a carbon management plan, outlining the project's baseline, targets, responsible persons, and clear reduction actions.

All our contracts have established carbon management plans, containing an action plan of low carbon opportunities assigned to owners. We are aware that more needs to be done to accelerate change and increase the focus on our delivery partners and designers to make a step change in performance and help move the industry faster towards true low carbon delivery.

Throughout 2023, our sustainable engineering team delivered bespoke training events internally and directly to customers on sustainability, low carbon solutions and material use. During World Quality Week they delivered a webinar, considering the link between the root cause of quality failures and the opportunity to reduce project impact. The team also presented at both Costain temporary works conferences in 2023, having previously established a sustainable temporary works forum which brings together temporary works and sustainability professionals to develop our processes and sustainable solutions. The success of the training and education over the last 12 months is reflected in our end-of-year assurance review, where 87% of projects had used the net zero hierarchy of design approach on their schemes.

Supply chain engagement

We have integrated sustainable practices throughout our supply chain. This includes engaging with our suppliers regularly, promoting circular economy principles, integrating data and carbon outputs into our subcontractor contracts and assessing whole-life emissions of our key products. As part of our material mandate, we now require all concrete, steel and aggregates suppliers to provide carbon data for their products, ideally through Environmental Products Declarations (EPD), enabling accurate data to be analysed and monitored to help decision-making. We have quarterly sustainability sessions with our strategic concrete, aggregate and asphalt suppliers and are working towards increased engagement across other materials and carbon hotspot areas. Collaborating with our supply chain is a key focus for us, as it ensures a shared commitment to driving carbon reduction and developing sustainable solutions.

Innovation

Investment in innovation is a key driver in climate change adaption and mitigation, particularly in finding alternatives to high embodied carbon materials, such as concrete, cement and steel. We have invested in the development of new technologies and materials that would aid sustainability improvements and mitigate climate related risks. We are currently collaborating with 21 universities, customers, and our supply chain to improve infrastructure resilience for climate change and other sustainability issues.

One example is the sponsorship of 3 PhD students to develop novel infrastructure materials with sustainability attributes. All PhDs have a responsibility to deliver net zero carbon outcomes as part of their research. One of the key constituents of concrete is cement, as its production is carbon-intensive. One of the PhDs is working with the University of South Wales to develop alternative alkali-binders to replace Portland cement in concrete. Alkali-activated materials and geopolymers can transform the sustainability of concrete structures by replacing the most damaging component, Portland cement. This research is being applied by our SCS HS2 project, the UK's largest infrastructure project, and is working with UK trade and investment to attract innovation into the UK from other countries.

The other two PhDs are part of the 'resilient materials for life programme', and they develop materials that can self-heal and self-diagnose their condition. Developing smart materials is expected to reduce the need for inspections and repairs of concrete structures and therefore reduce the overall use of materials and carbon emissions. One of the PhDs is using the novel nanomaterial of graphene to generate advanced functionalities in the concrete. This could bring opportunities for the airport sector, including materials that can self-sense damage and self-heat and de-ice, which could completely transform the way that airports are built and maintained.

One strategic decision we have made to adapt to climate change is to complete the first-ever lifecycle assessment using graphene in concrete along with one of the PhD researchers and Costain's lifecycle engineering expert. We are working with our supply chain and design partners to accelerate the development and implementation of novel materials as part of our commitment to our climate change action plan.

Supply Chain Sustainability School's (SCSS) Plant Charter

In 2023 we achieved 'Gold' status in the SCSS Plant Charter, a year after receiving Silver status. Achieving Gold reflects the ongoing work of our project teams and our supply chain to comply with both the SCSS Minimum Standards and our own Minimum Plant Standard. Successful engagement alongside improved efficiency and use of innovation will lead to lower emissions and cost savings associated with plant and equipment on our sites. We continue to explore and embed innovation as well as behavioural change practices across our projects, as part of our long-term strategy to reduce carbon emissions.



Collaboration and pioneering low carbon materials

In 2023 Costain led the use of 3D printing in a UK road building project for the first time. Our A30 Chiverton to Carland Cross team installed the first 3D printed curved concrete headwall as part of the Digital Roads of the Future Partnership project, a collaboration led by us with partner company Versarien, the University of Cambridge and National Highways. The 2.3-tonne curved headwall was constructed using an alkali-activated cementitious material and requires no steelwork, reducing the embodied carbon of the structure significantly. The design of the geometric shape of the product uses curves instead of straight lines. Without the need for steel reinforcement, this represents a significant saving in material costs and embodied carbon.

A headwall was chosen for the trial because of the ease of access for installation and monitoring, but the technology could be expanded to other areas once proved successful. During the off-site printing process at Versarien facilities, several sensors were embedded into the structure by Cambridge University researchers to provide temperature and movement data. Data will be gathered over six-months to evaluate the performance of the technology and support its wider application within the construction industry.

"This is a really exciting project that could transform the future of infrastructure. 3D printing has the potential to make construction cheaper, quicker and more sustainable. As we push towards net zero, it's vital that the UK makes use of these emerging technologies."

Bhavika Ramrakhiani
Head of Materials



Find out more / www.costain.com/news/news-releases/3d-printing-used-to-help-build-uk-road-for-first-time/

* Unless technical reasoning is provided to justify its use.



Resource efficiency

We deliver sustainable solutions by adopting circular economy principles across an asset’s whole life within the delivery of our projects. By taking this approach we aim to minimise environmental impact and maximise efficiency.

With a growing population and depletion of the planet’s natural resources, we are committed to eliminating waste from our operations. Solution development and design are key to reducing resource use and embedding circularity within infrastructure. Our focus is therefore at the front end, working with our customers and partners where we can make the greatest positive impact.

In 2023, over 99% of the waste produced from our projects was diverted away from landfill and reused or recycled. Having reached high levels of waste diversion from landfill for several years, in 2023 we focused on driving down the quantity of waste and particularly avoidable waste, produced through the construction process. Working at the solution and design stages of contracts has helped us to eliminate waste by reusing existing assets, designing for deconstruction and increasing the use of secondary/recycled materials. This year we have reduced the total quantity of waste produced by 34% from 2022, although this is to an extent driven by the types and location of projects we deliver. We produced 500t of hazardous waste, the majority of which was from contaminated land, which could not be retained on site and forms only 0.2% of total waste.

Production thinking

In 2023 we started a ‘production thinking’ programme which combines a range of modern methods of construction with new technologies and materials, digital tools and smart decision-making, to drive productivity, improve efficiency and hand-in-hand reduce environmental impact. We have created a production thinking hub and training has been rolled out across the Company to drive change.

We also work closely with our supply chain to identify opportunities to use materials circularly to help influence design and to eliminate packaging and protection that can be either eliminated or returned for reuse.

In 2023 we have continued to support our employees and supply chain in ‘wellbeing, safety and environment (WiiSE) by Design’ training, aligned to PAS 2080 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.

>99%
waste diverted from landfill

34%
reduction in waste compared to 2022

Reducing material use through production thinking

The Skanska, Costain, Strabag (SCS) joint venture team delivering the High Speed 2 contract in north London supported by our in-house design engineers took a production thinking approach to design an improved temporary access road.

This modular block solution is made up of 700 expanded polystyrene blocks, which provide great compressive strength with little weight, allowing for easy installation. This reduces the impact on the adjacent masonry wall forming part of the existing rail infrastructure on the site, as well as benefiting local residents and operatives by minimising the noise and dust associated with the works.

This approach saved over 2,000 tonnes of granular material, which in turn resulted in reduced noise, dust and hand arm vibration associated with the compaction works. The ramp was capped with precast concrete retaining sections and road slabs and the whole structure came in at less than a quarter of the granular equivalent.

The ramp was sustainably designed to be easily and rapidly deconstructed after decommissioning to allow for the potential reuse of the slabs and blocks through a digital track and trace. They are also 100% recyclable if they cannot be reused after the project is completed. Decommissioning of the slabs has also been planned to minimise dust and noise through the education of site teams on the correct handling of materials for higher reuse potential. Overall, this solution is estimated to save over 350tCO₂e through its lifecycle on this project.



Collaborative behaviours result in a 21% reduction in CO₂ emissions for the A30 footbridge

Exemplary collaboration between designers, construction teams and supply chain partners led to significant carbon savings through design changes.

Chiverton Bridge will carry pedestrians, cyclists, and equestrians safely over the new section of the A30 at Chiverton Cross. It will serve as a vital connection between St. Agnes and Truro in Cornwall, creating a traffic-free multiuser trail known as the Saints Trail. We, as principal designer, were tasked with finalising the design and as the principal contractor, responsible for managing its construction. Chiverton Bridge is partly funded by the European Regional Development Fund.

To address the rising challenges of climate change and to identify and offer low carbon solutions the project team held a carbon reduction workshop, bringing together key stakeholders from design, construction, and the supply chain. A list of design changes and specifications was created, highlighting adjustments that could be made with minimal impact on the project schedule. These changes aimed to optimise the bridge design and, as a result, eliminate environmental harm. Moreover, the project manager recognised the significance of including carbon reduction in the project’s risk register, stressing its importance throughout the project’s execution.

Engaging in early design reviews and fostering collaboration among the design, construction, and supply chain teams, yields significant environmental and sustainability benefits. This proactive approach, along with establishing an early carbon baseline, identified early carbon hot spots so the project team could focus their efforts on the right elements of the design.

The project’s sustainability credentials have recently been rewarded with a BREEAM Infrastructure ‘Excellent’ rating for the Whole Project Award, exceeding the initial target of a ‘Very Good’ rating.

Benefits realised include:

- 21% reduction in CO₂ emissions from design changes, exceeding the 10% target set for the design phase.
- c. 1,000m³ of excavated and reused material.
- 107m³ of material left in situ (avoided carbon).
- 18-tonne reduction in steel used, saving 50 tCO₂e and £36K from detailed design improvements.
- Local China Clay by-products used as aggregates.



Nature and biodiversity

We have set ourselves an ambitious goal to be nature positive by 2030, recognising this as a strategic opportunity.

This report includes our first disclosure against the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) and in future reports we will be progressing our alignment to become fully consistent with the recommendations ahead of any formal requirement to do so.

Governance

The Board has overall accountability for ESG-related activities including nature, and for ensuring that policies and strategies are aligned with the wider business objectives. The Board Chair, Baroness Kate Rock is a former member of the House of Lords Select Committee for Science and Technology, actively promoting nature-based solutions to climate change.

In 2024 we will finalise our nature positive plan (NPP), embedding the consideration of nature into our ESG governance processes from work winning to delivery alongside climate change. The SHE Executive Committee reviewed the NPP and further briefings to the Executive Board will follow in 2024, before launch.

Strategic risks and opportunities, including those relating to climate change and nature, are managed through our established risk and opportunities process. Nature considerations will be reviewed and strengthened as a result of our NPP launch, in which we have used the WWF Biodiversity Risk Filter tool to identify and prioritise action on what and where it matters the most to address biodiversity risks.

Strategy

Our NPP applies the Taskforce on Nature-related Financial Disclosures (TNFD) Locate, Evaluate, Assess and Prepare framework. This starts with defining the scope of disclosing our most significant impacts and dependencies across land use and change impacting habitats and species, as well as water. This scope will broaden over time to include the value chain within our assessment as further guidance and alignment of standards and metrics occurs, and full engagement with our supply chain is completed. The impact of the materials we use within infrastructure is not limited to carbon emissions and we are seeking to understand these ‘hidden’ embodied impacts to address the entirety of our impacts on nature. In 2023, we began the process of assessing our supply chain’s most significant impacts through their operations and this work will initially progress for our suppliers of greatest spend and those that are high commodity materials (materials with a high impact on nature). The relative impacts of different materials may vary between carbon and nature, but we will seek to address these collectively using the same whole-life framework to identify actions and new requirements.

The data collection required for our direct operations is embedded within the SHE Plan for 2024 which will gather comprehensive water data from our projects and measure and increase biodiversity net gain (BNG). We plan to further develop a Geographic Information System (GIS) tool to map our direct operational locations to have a full picture of their impacts with the ambition of mapping our high-impact value chain operational locations. This map will also support business decision-making for determining where we must apply the nature mitigation hierarchy and where to go beyond this and adopt the AR³T (Avoid, Reduce, Restore & Regenerate, Transform) Action Framework as outlined by the Science Based Target for Nature (SBTN).

Our plan includes the development of a biodiversity accounting framework as we recognise that nature-related opportunities can only materialise through proper biodiversity accounting frameworks where risks are known through repeat monitoring and appropriate targets set to demonstrate performance.

Nature Risk and Impact Management

We have identified the following risks and opportunities. We will build on these over the next 12 months and align our Taskforce on Climate-related Financial Disclosures (TCFD) and TNFD disclosures. Nature-related risks are closely linked to climate-related risks: Ecosystems play a key role in emitting and sequestering greenhouse gas emissions, and in supporting the adaptation to a changing climate. In the future, we will therefore consider the risks together.

	Risks	Opportunities
Policy and Legal	<ul style="list-style-type: none"> • Policies such as biodiversity net gain may add cost and risk to projects, particularly when offsetting is required. • Policies may limit the use of natural resources such as water for operations, causing delays, cost increases. • Failure to report against TNFD or meet requirements. 	<ul style="list-style-type: none"> • By developing low-impact alternatives such as Nature-based Solutions (NbS), 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.
Market	<ul style="list-style-type: none"> • We rely on a wide range of inputs, such as raw materials from operations such as mining or manufacturing which can have associated impacts on nature degradation or pollution into the environment. • Many of our materials are sourced within the UK and the EU where there is higher certainty over sustainability credentials, however, products sourced outside of Europe may be constrained by resource scarcity, social injustice, or lack of transparency on impacts on nature. 	<ul style="list-style-type: none"> • By driving our sustainability standards for products and services on all projects, we can gain a competitive advantage over peers by being a partner who can offer solutions to customers’ nature-positive goals. • Private sector investment in nature is likely to grow, generating and increasing the likelihood of new opportunities.
Physical	<ul style="list-style-type: none"> • Pressures on water consumption because of water scarcity particularly during summer months could potentially result in delays, and increase project costs. • Physical climate risks will also drive an increase in insurance costs and what is insurable. • Pressures on ecosystem services can lead to the depletion of essential materials and resources required for use within the construction industry such as timber, concrete, steel, fuel etc. Availability of materials may be depleted and costs may increase. 	<ul style="list-style-type: none"> • We have identified opportunities to support existing customers’ infrastructure to incorporate NbS and provide climate change resilience.
Technology	<ul style="list-style-type: none"> • Nature-based solutions will emerge as the go-to ‘technology’ driven by customers, and skills and knowledge will be in short supply. 	<ul style="list-style-type: none"> • We are already upskilling and developing employees to meet customer needs. We have also identified key supply chain members with active nature strategies and those that are contributing towards being nature positive. • There is an opportunity to develop a geographic information system (GIS) mapping tool for the identification of high-risk areas leading to an opportunity for us to advise customers on risks and how to implement mitigation hierarchy as well as leading to nature restoration.
Reputational	<ul style="list-style-type: none"> • Where the impact of construction on nature cannot be mitigated, this could result in negative public relations. • Unclear strategy, limited knowledge and skills means we may not be able to deliver against the mitigation hierarchy and meet customer needs. 	<ul style="list-style-type: none"> • Changes in perception concerning a company’s actual or perceived nature impacts, including the consequent impacts on society and engagement of stakeholders • There is an opportunity to become a leader within the industry to bring positive reputation to development projects and support winning new business.
Liability	<ul style="list-style-type: none"> • Legal implications of not complying with soon-to-be-expected mandatory TNFD reporting and/or fines for non-compliance with BNG legislation. 	<ul style="list-style-type: none"> • Through the strategic transformation of business models, products, services, markets and investments that actively work to halt or reverse the loss of nature, including the implementation of conservation, restoration and NbS.



Nature and biodiversity continued

Improving biodiversity and nature is a continued focus for how we manage our projects, ensuring we act responsibly and address global commitments to protect the environment.

COP28’s joint statement on climate, nature and people stated that ‘continued loss and degradation of nature increases climate vulnerability, contributes to significant greenhouse gas emissions, and impedes sustainable development’. Climate and nature are therefore inextricably linked and we acknowledge that we must now take urgent action on both to address the climate crises. This will require collective, joined-up action to stabilise the climate, preserve freshwater resources, regenerate land, secure a healthy ocean and protect biodiversity.

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 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.

Nature Positive Business Pledge

In 2023 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. Businesses are often seen as part of the problem, but by becoming nature positive, they 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 additionality, and we will work in line with the precautionary approach to ensure the greatest outcomes.

“Our commitment is to stay ahead and lead the industry as a nature positive business. To achieve this, we have formed a dedicated team that has diligently familiarised themselves with the evolving TNFD requirements and embraced learning the best practices in nature positive approaches. We have begun sharing our experiences and knowledge with our supply chain and SHE teams and believe to transform the industry it is important to become nature positive. We look forward to continuously improving and we are excited to unveil our strategy in 2024.”

Mikaela Weyer
Senior Environmental Advisor

Nature positive plan

During 2023 we have worked towards producing a NPP, which will set our strategy for meeting our nature positive goal by 2030.

This includes our continued commitment to 10% BNG on all our relevant projects over and above those that will be required by law post-February 2024. Our plan will go further than just BNG, addressing both direct and indirect dependencies and impacts on nature and using metrics to enable us to set a science-based target for nature. Our plan also sets out how we will develop and deliver win-win solutions: those that both reduce carbon emissions and enhance nature, such as nature-based solutions. The NPP will also align with the TNFD and detail how we will report against these.

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 BNG plan which details how they will work with design partners, customers and stakeholders to achieve the target. Our target aligns with the Environment Act (2021) which was formally implemented for the majority of development projects in 2023.

To help us in managing BNG we have created a 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, 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.

Relevant projects that have biodiversity net gain plans:

100%

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

68%

Projects achieving blue or green environmental engagement ratio:

76%



Ecosystem creation at Hailsham South

A pioneering scheme at Hailsham South Wastewater Treatment Works (WTW) creates an ecosystem from redundant assets and material reuse to go beyond normal industry practice to enhance the natural environment.

Upgrading the WTW was necessary to comply with a stricter Environment Agency discharge consent for Phosphorous and would ensure Southern Water met its obligations under the Habitats Directives and Water Framework Directive to improve the water quality of the Pevensey Levels, a biological Site of Special Scientific Interest and home to a population of Ramshorn snail, a priority protected species in the UK Biodiversity Action Plan.

The upgrade works required an existing large earth mound covered in scrub within the operational boundary to be removed and a whole new area of assets to be installed. Three large concrete-lined tertiary settlement lagoons that formed part of the existing treatment process were to be decommissioned as part of the scheme. The intention was to clean them out and let them naturally refill with rainwater.

By placing environmental enhancement at the core of the project, Southern Water aimed to go further, developing an objective to create a natural ‘wilded’ biodiverse environment from the three tertiary lagoons. As well as compensating for the loss of habitat for great crested newts, the solution would enhance the local environment via a diverse arrangement of planting, use of materials and improvement of the aquatic environment. The project pushed past the boundaries of mere regulatory compliance and existing best practices to include many additional enhancements to create an ecosystem which supported many different species and organisms in one place, all interacting with each other.

Biodiversity enhancements included:

- Newly planted native woodland tree species.
- Floating islands with aquatic planting.
- Areas of wildflowers and grasses.
- Bee bunds to encourage solitary bees.
- Great crested newt pond with aquatic planting.
- Wildlife refugia.

3,500m³
soil retained

16.9 tCO₂e
eliminated

324
lorry movements prevented



Nature and biodiversity continued

Materiality

We have undertaken a materiality assessment of our impacts and dependencies on nature utilising Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) and SBTN tools (see figure 1 and figure 2), as well as high-commodity materials that are resourced for Costain. ENCORE is a tool that was developed to support businesses being able to assess their nature impacts. It uses scientific data sources to provide an overall nature assessment to help steer decision-making. We have also undertaken a high-level assessment of our value chain to the extent allowed by the available data. This has included initial engagement with key material suppliers where significant impacts have been identified, to understand their maturity and understand what requirements we can introduce and the appropriate timescale.

Working towards a full TNFD disclosure

As part of our NPP, we have taken several steps towards meeting TNFD requirements, which is a risk management framework tool for disclosure of nature related risk within business. The TNFD intends to disclose nature dependencies and impacts so that products and services can be priced appropriately for the ecosystem services provided. Investment decisions can then be made in relation to the nature risks present.

Metrics and Targets

While there is no single metric to measure the state of nature, the following metrics will be used initially to assess the nature performance of the business and allow SBTN to be developed:

- Operational footprint about protected and critical habitats (m2).
- Biodiversity value and units of the operational sites before and after development, as well as those on any biodiversity offset sites (Habitat/Hedgerow/Water Units).
- Water consumption, abstraction, and discharge quantities (m3).

We will continue to assess emerging metrics that materialise from the continued work on disclosure and will adopt more extensive and complex metrics as these are agreed upon and we are able to obtain the data.



Costain VINCI Construction Grands Projets and Bachy Soletanche JV Thames Tideway East project. The NbS design on the river wall provides a shelving pattern that will allow moisture to be retained, increasing the habitat available for target species within the tidal River Thames.

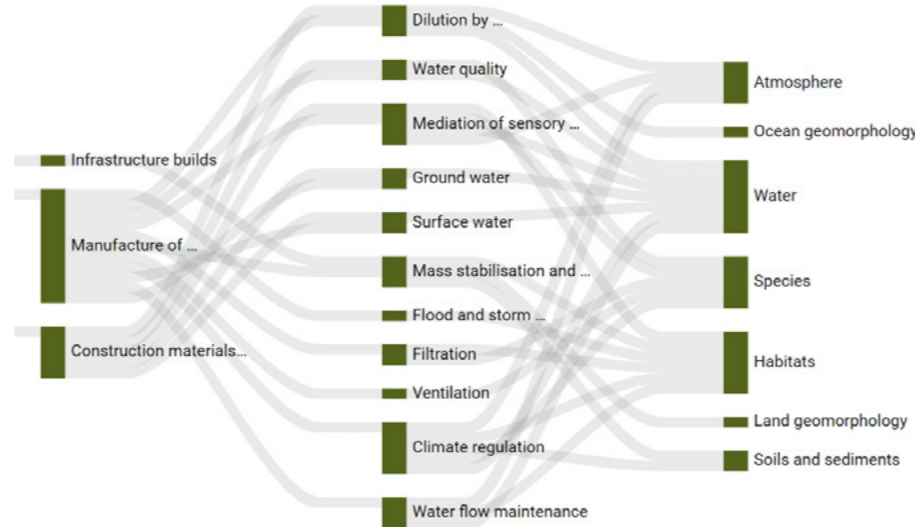


Figure 1. Our key nature-related dependencies are water, species, habitats and the atmosphere

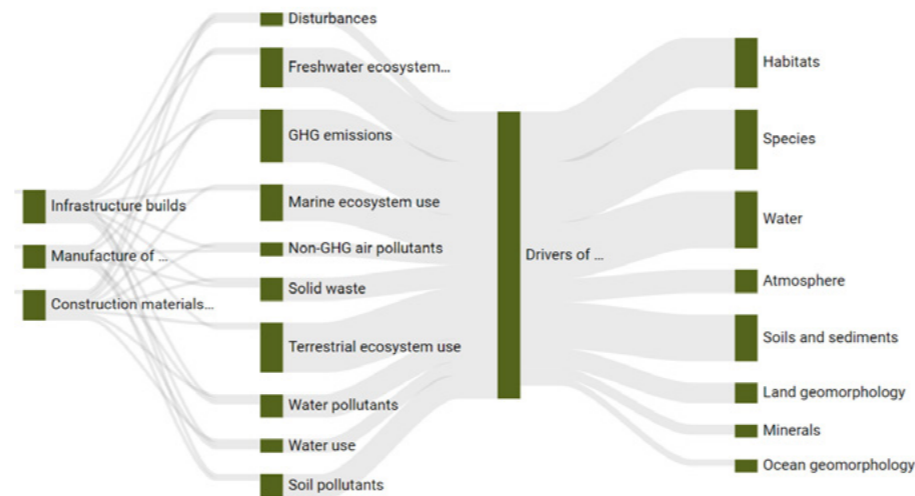


Figure 2. Our most significant impacts on nature are water, species, habitats, atmosphere, and soils and sediments



Improving carbon and nature outcomes for large infrastructure projects

Costain's team on the Preston Westen Distributor project improved biodiversity and reduced carbon emissions by implementing innovative solutions throughout the project. They were scored highly by the Considerate Constructors Scheme, with an excellent rating across categories including Care for the Environment.

- Landscape plans were designed to restore farmland and to protect and enhance habitats for species including great crested newts, bats, birds, brown hares, hedgehogs and common toads.
- During the earthworks, we removed 600,000 cubic metres of sub and topsoil, which we kept on site. Working with our customer, we made a feature of the remodelled landscape with all earth relocated to the roadside, where it was replanted with trees and serves both as a visual point of interest and as a noise barrier.
- We explored and deployed sources of clean energy, such as Hydrotreated Vegetable Oil (HVO) and the use of hydrogen. We worked with hydrogen start-up Hydrologiq to trial the use of a hydrogen-powered fuel cell generator at the M55 compound, where together we demonstrated that green hydrogen would remove almost all carbon emissions associated with onsite operations.
- Through a concerted programme of behaviour change and by working closely with our supply chain, we reduced plant idling by approximately 20%. Diesel usage was eliminated across the project, replacing this with HVO fuel manufactured from sustainable, renewable feedstocks.

9.04%
net gain for habitats

20,000
journeys of 60 miles each removed from the local road network

6,134
tonnes of CO₂ emissions saved (£7m cost saving)

10.81%
net gain for hedgerows

100%
renewable electricity to power onsite works



Find out more / www.costain.com/solutions/case-studies/preston-western-distributor-project/



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Social

Our materially important social issues:

Social value, community and customer

Employee health and safety

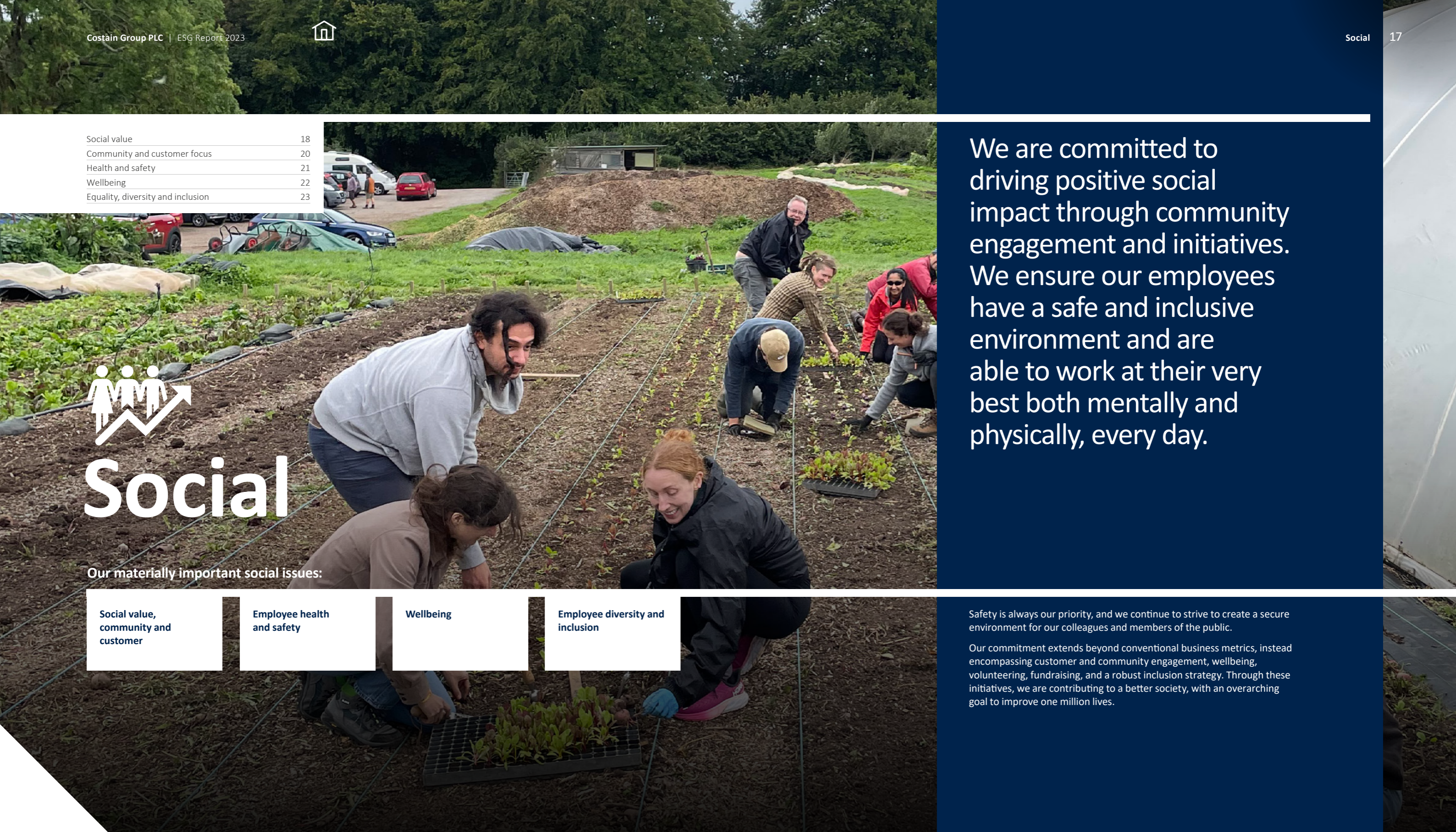
Wellbeing

Employee diversity and inclusion

We are committed to driving positive social impact through community engagement and initiatives. We ensure our employees have a safe and inclusive environment and are able to work at their very best both mentally and physically, every day.

Safety is always our priority, and we continue to strive to create a secure environment for our colleagues and members of the public.

Our commitment extends beyond conventional business metrics, instead encompassing customer and community engagement, wellbeing, volunteering, fundraising, and a robust inclusion strategy. Through these initiatives, we are contributing to a better society, with an overarching goal to improve one million lives.





Social value

In a world where social responsibility is increasingly paramount, we have taken a bold step forward, setting ourselves the goal to improve one million lives by 2030. This ambitious target reflects our dedication to making a meaningful impact beyond the bottom line, emphasising our commitment to social value, safety and wellbeing that goes hand-in-hand with our projects and operations.

Our new social value plan

In early 2024 we launched our new social value plan alongside updated tools, processes and policy to enable more consistency in our approach and to maximise outcomes. These tools are designed to empower our teams across various projects, offering a standardised yet flexible framework to integrate social value considerations into their workflows.

The updated documents provide clear guidance on identifying, measuring, and reporting social value metrics. It ensures that every project aligns with our overarching goal of improving one million lives. The accompanying templates serve as a practical tool, simplifying the process of creating and implementing social value action plans. This consistency across projects not only enhances efficiency but also facilitates benchmarking and the sharing of best practices within the organisation.

Measuring and evaluating our social value impact

During 2023 we reviewed our systems for collecting social value-rated data and are investing in a new tool. This strategic enabler is designed to enhance the efficiency and impact of our social value initiatives. It offers a comprehensive suite of features, from project inception to completion, allowing for seamless integration of social value considerations into every phase.

One of the key benefits is its ability to streamline data collection and reporting. This ensures compliance with social value objectives and also facilitates transparency and accountability. With improved measurement accuracy, we are well placed to monitor and evaluate the social impact of our projects, while we drive a culture of continuous improvement.

“I’m truly inspired by the abundance of social value initiatives integrated into our projects. It’s heartening to witness our collective efforts in making a tangible difference to communities and driving positive change.”

Claire Chapman
Social Value Manager

A holistic approach to social value

Social responsibility is an integral part of our identity and how we do business. By leveraging technology, refining processes, and providing comprehensive guidance, we are setting a standard for how businesses and our supply chain can drive positive change in the communities we serve.



Find out more / www.costain.com/news/news-releases/costain-commits-to-improving-one-million-lives-by-2030/

Reading for life

Costain colleagues in collaboration with strategic supply chain partner Heidelberg Materials UK have joined literacy charity Chapter One on their online reading volunteer programme. Chapter One transforms children’s futures with weekly 30 minute one-to-one reading support at a time when they need it most.

The primary goal of Chapter One is to positively impact the lives of children through improved reading skills, enhanced confidence, and to create a lifelong love for learning by bridging the ‘reading gap’. According to the Department for Education, 40% of 11-year-olds in England from disadvantaged backgrounds leave primary school unable to read to the expected standard. The National Foundation for Educational Research found that three times as many 6- to 7-year-olds are now very low-attaining readers compared to before Covid.

In 2023, nine colleagues engaged in over 45 personalised reading sessions. The children have already experienced noticeable improvements in their reading skills and the supportive environment has contributed to an increase in their confidence. 59% of pupils were working at or above the expected level at the end of the programme compared to 34% at the start and 87% of teachers believe that pupils were more confident with their reading after having attended Chapter One sessions. As the programme continues, the children’s literacy skills will be enhanced and also a lifelong benefit from a love of reading will be instilled.

“I have had a total of five sessions with my pupil who attends a school in Bradford. When we began, she was shy, but now she is full of confidence and loves to tell me to play another game of ‘word find’ or to read another book. Each session lasts 30 minutes and I have heard a clear improvement in her reading comprehension with each week that passes. I believe this is a fantastic programme that really makes a difference to a child with their reading ability, confidence and problem-solving skills. Costain has supported me to volunteer each week enabling me to invaluablely help the development of a pupil from the comfort of the office.”

Elliot Hutchins
Costain Chapter One volunteer

£247,000 raised for Samaritans

On 24 July 2023, through donations and employee fundraising, £247,000 was raised for Samaritans to help ensure their services remain available to those in need, 24 hours a day, seven days a week.

Sadly, the construction industry has one of the highest rates of suicide, with two construction workers dying every work day. Samaritans aim to ensure that every call for help is answered, and this fantastic amount of money raised could help Samaritans answer 49,400 calls for help via phone or email.

People call Samaritans for a variety of reasons, and every call is unique. People might call to discuss money and employment worries, family problems or relationship breakdown, loss, bereavement, mental health troubles and thoughts of suicide.

The 24/7 campaign was launched in April 2022 and saw projects and offices drive fundraising activities such as:

- A supply chain walk and talk event.
- The executive team walking 247km over six weekends.
- Quiz nights and raffles.
- RideLondon cycle challenge.
- Colleagues participating in the London Marathon and Great North Run.
- Colleagues participating in the ‘walk 50 miles with your dog’.
- Coronation-themed office parties.

“We have been overwhelmed by the support of Costain employees across the Group. This latest fundraising campaign to raise £247,000 is a huge achievement and will have a massive impact on our ability to recruit more volunteers and answer calls from people struggling to cope.”

Julie Bentley
Samaritans CEO

“There was one evening things got way too much, I’d had enough, I just wanted to go somewhere, anywhere. And then I phoned Samaritans. I’m here today because Samaritans was there to listen.”

Bella
Samaritans caller



59%

of pupils at or above expected reading age

87%

of teachers say pupils were more confident readers

45

personalised reading sessions completed



Social value continued

There is an increasing drive from the Government, customers and our communities to embed social value into the lifecycle of major infrastructure projects. We are collaborating with our customers' supply chains and academia to accelerate the implementation of tangible outcomes for the communities we are part of through new ways of thinking.

Specialist social value advisory solutions

During 2023, we have expanded our social value advisory services to respond to growing market demands. Working alongside national infrastructure projects gives our team a unique perspective when it comes to more specialised activities such as impact management, wellbeing assessment, and value-based asset management, along with the ability to develop and implement social value strategies that are aligned with customer and/or government standards. There is ever-increasing pressure on our customers to deliver social value through their organisation and their projects to meet customer and regulatory requirements. Our social value advisory team provide a range of services to support customers in their planning, implementation and evaluation of social value initiatives, with a strong link to social value in major infrastructure developments. We define social value for infrastructure assets as the extrinsic and intrinsic impact of the asset, on the wellbeing of society, throughout the asset's lifecycle¹.

Social value strategy development and implementation

Our team of consultants are highly capable of developing customer social value strategies which align with HM Government's social value model and accompanying Procurement Policy Notes 06/20 and 05/21 (PPN06/20, PPN05/21) and have a wealth of experience when it comes to social value strategy. We develop bespoke social value solutions for customers and facilitate strategy implementation in line with customer needs. After careful development, this solution has been rolled out on our projects for the development and delivery of social value outcomes; working closely with customers to achieve positive social, environmental and economic impact in addition to business-as-usual delivery on each of these complex projects. We have long-standing experience in supporting customers to implement their social value strategy initiatives. Recently we worked with Sellafield Ltd to refurbish the Frizington youth and community centre in Cumbria as part of the customers social value programme.

“The Decommissioning Delivery Partnership and Sellafield co-funded the refurbishment of Frizington’s youth and community centre. The final product is a thriving and engaging community hub which benefits all the community and ensures they receive the same level of support and recreational opportunities that other towns benefit from. The refurbished centre is a true asset which will serve this generation and the ones that follow.”

Andrea Noblett
Social Value Consultant

Wellbeing impact assessment

Developed and deployed with two customers in 2023, this new tool brings together impact and wellbeing assessments to allow our customers to maximise social value and have a measurable impact on national and local wellbeing, including measures like ‘belonging to a neighbourhood’ and ‘life satisfaction’. We are deeply embedded in various government and non-government organisations along with multiple professional services working groups helping to better measure this impact. Our wellbeing impact assessment relies on live research and analysis of publicly available data together with HM Government's Green Book guidance on wellbeing. Impact assessment forms part of business case development for many customers. It includes analysis of community partnerships and initiatives and relies on a combination of qualitative and quantitative research, industry-recognised methodologies, and deep social research awareness. We look forward to deploying this across more projects in 2024 to understand and improve the wellbeing impacts of projects.

Value-led asset management

We have specialist expertise in a value-based approach to assets. We have helped customers across sectors like water, highways and aviation map and capture metrics on projects, shape delivery models, and develop value profiles. Our team has also played a key role in developing the Construction Innovation Hub Value Toolkit and continues to work closely with stakeholders like the Infrastructure and Projects Authority to develop the approach further. Our customers trust us to develop their business case models, influence regulators, and ensure that the infrastructure investment decisions deliver the greatest whole life value to society. This means balancing expected outcomes from an asset, at a systems level, across social, economic and environmental measures and across the whole asset lifecycle. We use a multi-capital-based model to facilitate a collaborative process to develop priorities, agree on metrics and performance criteria and evolve the priorities through the asset's lifetime.

Supporting customer social value reporting

Through 2023, we have used our specialist expertise and solutions to help our customers measure and report the social value impact of their business and projects. We worked with healthcare investor Fulcrum to provide an independent analysis of their ESG activities to be included in their first and second social value annual reports. This included analysis of their ESG activities such as healthy cooking sessions, community gardening, local sports team partnerships and local exercise sessions, using social return on investment methodology to quantify the c.£2.5m social value delivered to stakeholders, partners, and residents in 2023. We have also developed a novel wellbeing impact assessment methodology that helps quantify the positive impact of services offered by community hospitals and health centres. This activity supports their ongoing ESG investments as they could quantify and report the return delivered; it also contributes to business cases when making decisions around contract extensions and remodelling facilities.



Creating an integrated approach to maximising social value from the archaeological process in major infrastructure projects

The Costain and Museum of London Archaeology (MOLA) social value teams have created best practice, interdisciplinary methodology for the integration of social value practice with archaeology for major infrastructure projects.

The methodology developed in 2023 places archaeology and heritage at its core to ensure maximum opportunities are identified early on to provide positive outcomes directly linked to community recipients. The collaborative model demonstrates how new thinking on social value from archaeological processes is incorporated into the project lifecycle through integration with standard project design and implementation stages.

Through close working with the customer and project teams, the model ensures outcomes are appropriate and meet the beneficiaries' aspirations. The digitally-enabled methodology includes engagement with external partners, customers and the wider community, and follows seven steps which cover archaeological potential, exploration of audience demographics, consulting and co-design of a fieldwork strategy, engagement programmes, impact and outcome of archaeological results, output evaluation and reporting.

Through engagement, we have seen mental health and wellbeing benefits for those community groups and site personnel involved. This engagement includes:

- early career osteologists (ECO) scheme supporting the next generation of archaeological experts
- site tours and workshops for community groups and
- site tours to actively promote and educate construction site teams about the identification of archaeological sites and artefacts.

This collaborative partnership has offered direct benefits to communities, archaeological professionals and construction sector employees which supports a proactive approach to the management of risk and opportunity associated with cultural heritage on infrastructure projects.

¹ Jeremy Galpin, Working Paper No 58. Centre for Innovation Management Research, 2022.



Community and customer

Our primary focus is to improve lives and drive positive relationships with our customers and communities. Our commitment extends beyond the transactional nature of our services.

By actively engaging with and understanding the needs of our stakeholders, we forge connections that contribute to the overall wellbeing of society. This approach strengthens our relationships and also establishes us as a responsible and considerate business, reflecting our dedication to the communities we serve.

We work collaboratively in our local community with stakeholders to ensure we prioritise nurturing meaningful engagement and understanding. By working closely with our stakeholders, we assess the impact of our initiatives on the community and develop comprehensive plans to address their needs and concerns effectively. Our approach is centred on building trust, open communication, and creating sustainable solutions that positively contribute to the wellbeing and development of the community. Below are examples of our commitment to the collaborative process and the tangible outcomes it generates.

Being a good neighbour

In 2023 we scored an impressive 45.3 versus the industry standard of 40.32 for the Considerate Constructors Scheme (CCS) showcasing our commitment to ethical and considerate construction practices. The CCS supports, assesses, and recognises the construction industry for its commitment to community, environment, and workforce considerations. Our higher-than-average score indicates that we go above and beyond industry standards, demonstrating a commitment to responsible construction practices that prioritise the wellbeing of our stakeholders.

Average CCS score	2023	2022	2021	2020	2019
Costain	45.3	45.2	44.8	44.8	42.3
Industry	40.3	39.8	38.2	37.7	36.1

“Ensuring that we minimise any negative impact we may have on our customers and local communities is vital to delivering our contracts to plan. We want to be a good neighbour!”

Richard Paddey
Head of Customer (Roads)

Armed Forces charity Building Heroes

Costain has been in partnership with Building Heroes, the Armed Forces charity, since 2022. This Onsite Skills Academy initiative in the North East of England helps service leavers and veterans to gain valuable skills and qualifications in construction. After receiving training at the management centre for our work for National Highways, upgrading the A1 around Newcastle in Blydon-on-Tyne, graduates obtained the National Open College Network (NOCN) accredited Streetworks Excavation and Reinstatement and L1 Award in Health & Safety in Construction, enabling them to secure their Green CSCS Card. This effort addressed skill shortages aligned with government initiatives and saw 96 veterans and transitioners graduating by the end of 2023, with the majority finding employment or pursuing further training in construction.

Development Consent Order approved for highway expansion

In a significant achievement, the A12 team has secured the Development Consent Order (DCO) for National Highways’ A12 Chelmsford to A120 Widening Scheme. The proposed expansion involves widening sections of a 15-mile stretch of the road in Essex, from two to three lanes. As a nationally significant infrastructure project (NSIP), governmental consent is required before the project can proceed to construction. The success of the DCO application underscores the team’s effective planning, collaboration and engagement with stakeholders, especially in the local community, marking another milestone in the realisation of this vital highway’s improvement scheme.

Self-delivery at Horsham delivers social value

Southern Water and CMDP (a Costain and MWHT Joint Venture) are committed to improving the communities in which they operate. One opportunity identified at the Horsham Wastewater Treatment Works was the ‘self-delivery’ of the construction elements of the project. This involved directly contracting the suppliers needed to deliver the project, rather than appointing one main contractor, who then appoints their own sub-contractors. Therefore, the CMDP team at Horsham engaged with suppliers within a 20-mile radius target. Operating in this manner benefits the local economy by providing a financial boost and encouraging growth for local businesses.

Collaborating for positive change with HS2 community neighbours

Costain, in alignment with High Speed 2 (HS2) values, and as part of the Skanska Costain STRABAG Joint Venture (SCS JV), reflect a commitment to creating positive change in the areas we operate.

While delivering on the HS2 project, we have recognised the importance of both building infrastructure and delivering a positive impact on local communities. SCS JV has been proactive in their commitment to being good neighbours and has held regular public meetings to keep local residents informed and updated as the project progresses, and providing an opportunity for a two-way dialogue.

SCS JV has demonstrated its commitment to HS2’s “Respecting People, Respecting Places” engagement strategy and through initiatives with Modern Motors MOT Centre, Perivale Wood Accessibility Project, and the renovation of the Railway Cottages Alley, we aim to showcase the transformative power of community engagement. These endeavours not only enhance the physical landscape but embody the ethos of HS2, contributing to a lasting legacy of meaningful change and sustainable development.

The CSC JV Stakeholder Engagement Team joined forces with Modern Motors MOT centre to combat graffiti, enhancing the entrance with anti-graffiti paint. This benefited Modern Motors and also improved the local community’s visual landscape. In collaboration with the Selborne Society, SCS JV constructed a wheelchair-accessible entrance at Perivale Wood, promoting social inclusivity and environmental stewardship. The project involved eight volunteers contributing 256 hours and donated materials. Addressing a resident-led initiative, the SCS JV Engagement Team renovated the alley behind 1880 Railway Cottages, overcoming delays and earning positive feedback from the Selborne Society and the community.



£76,476.81 grant funding secured for local community projects

In 2023, Costain’s dedicated community relations team on the A1 Birtley to Coal House project successfully secured £76,476.81 to fund bespoke community projects.

National Highways Major Projects established a social value fund available to all of its schemes across the UK to support local community projects. The fund, totalling £220,000 per year (divided equally between the North and South schemes), empowers communities by providing financial support for projects up to £10,000 each. In 2023, we supported community projects in the North to access £76,476.81 split across 10 projects. To date, we have helped to secure over £87,170.50 since December 2022 across 13 projects.

By actively collaborating with National Highways and local stakeholders about the available funding, utilising our deep understanding of the communities in which we operate, and working with these groups to develop, progress and gain the approval of applications, we ensured the success of community projects, such as the installation of a defibrillator at Lamesley Church Hall in June 2023. Lamesley Church Hall is the centre of the community and a hub for residents holding activities across the week from fitness classes for the elderly to childcare sessions. Every minute delay in defibrillation results in a reduced chance of survival, which is especially problematic in rural communities. Without the funding secured by our community engagement team, they would not have been able to install the defibrillator at the Church Hall, which addresses the long rural response time in a cardiac emergency and could potentially be lifesaving.

Another application for social value funding was the Birtley East Community Garden, which received £8,000 to transform the school’s community garden space over the summer holidays. The garden is now a perfect place for children to play outdoors and get involved with growing and tending to plants.





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, planning and preparation for delivery in the construction phase.

Our approach

In 2010 we launched our ‘eliminating harm’ approach to drive our ambition to remove the risk of harm from our activities wherever we can. This is reinforced by one of our four Group values, safety and wellbeing, and the behaviours that underpin our values. We strive to exceed the highest recognised standards and performance and then continually drive improvements. We use innovation, technological advances or alternative methodologies combined with thinking differently through our diverse teams.

This is one facet of our unique ‘learning organisation model’ which brings together all the elements of a mindful organisation, to ensure our teams are set up to succeed. The model gives us confidence that we are embedding the lessons we learn at every level of the company whether they are from incidents or from audit findings.

One element of our ‘learning organisation model’ is Costain’s eliminating harm showcase, an internal library that contains the best examples from our contract teams of where they have successfully applied ‘eliminating harm’ thinking in practical ways that we can adopt across the Company. This year our contracts submitted 29 eliminating harm case studies and solutions, the majority were embedded within our systems and training to support continual improvement.

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 continues to focus on the removal of harm at the source instead of accepting the challenge of managing risks at the frontline.

Our leaders demonstrate their commitment to health and safety and gain an appreciation of the challenges our teams face through a programme of leadership engagement tours covering every part of the company, 21 leaders undertook 245 engagement visits in 2023.

Safety statistics from our workforce

	2023	2022	2021
Average workforce	13,895	14,228	13,532
Total hours worked	29,858,234	32,466,135	30,507,562
Fatal accidents	0	1	0
Specified injury	7	9	9
> 7 day injury	6	6	1
Reportable diseases	1	0	0
Dangerous Occurrences	2	0	3

We deliver innovative, interactive training specifically developed for our senior leaders which includes three yearly refreshers. The training aims to embed the principles of ‘mindful organisations’ into senior leader’s thinking and behaviours. This is supported by training specifically tailored for operational managers, accredited by the Institution for Occupational Safety and Health (IOSH).

We focus on leading indicators and our performance against them is reviewed monthly at every level of the Company from the Executive Board down to our contracts. We continually develop our leading indicators to ensure they deliver the right outcomes and we know that they are effective from our own experience. Our measure of workforce engagement is a prime example. We know that an engaged workforce works safely and since 2016 we have increased our engagement measure and in the same period halved incidents.

Our focus on this and other key leading indicators has resulted in an industry-leading 2023 Accident Frequency Rate (AFR) of 0.04 achieved from almost 30 million hours of work from across our varied operations. We can predict and analyse trends at Group, division, sector and contract level, using our Power BI dashboards, providing a direct line of sight from our Executive Board to our contracts. This provides early warnings for opportunities to improve, rather than focusing on events once they have taken place. Leading indicators also drive our leadership and wider behaviours in support of a culture that reinforces our strategic SHE objectives and targets. Our objectives focus on the small number of actions that will have the biggest impact in continually improving our performance, building on what we have learned in recent years.

To make certain we learn from events we maintain a cadre of experienced, trained investigators to ensure we understand the root causes of incidents and take actions to embed any necessary change. Our investigators undergo bespoke incident investigation training developed and delivered in partnership with Cranfield University, a world leader in transportation related accident investigation and understanding.

ISO 45001 coverage

Employees covered by safety management system	100%
Workforce covered by safety management system	100%

0.04
industry-leading accident frequency rate in 2023

c 80,000
workforce SHE hazards and observations recorded

0.12
lost time injury frequency rate

Safety procedures and working practices

As previously reported, in 2022 the Group experienced a fatality on one of its rail contracts and, following our investigation, we implemented several recommendations across our business including changes to current industry practice for lifting operations. During 2023 our new approach was taken up widely across the industry and from mid-2024 it will become part of CITB accredited industry training for all those involved in lifting.

93%

of employees believe Health and Safety is taken seriously at Costain

COSTAIN BeSafe HANDS OFF, STEP BACK 5 PAGES...

- 1** Take **HANDS OFF** and **STEP BACK 5 PAGES** until load is freely suspended, steady and stable.
- 2** If stepping back 5 paces is not practicable, **AGREE** with the Lift Supervisor (LS) where it is **SAFE** to stand whilst the load is being picked up. LS to **OBSERVE** pick up. If LS/SS is a combined role, agreement to be reached with the FLS.
- 3** If **DIRECT LOAD CONTROL** is required, this is subject to **RISK ASSESSMENT** by the **APPOINTED PERSON**.



Wellbeing

Across the UK, we have circa 3,000 employees and a further 13,500 working in our supply chain delivering infrastructure solutions to meet national needs. To do this successfully, we must ensure our people can fulfil their potential and work at their very best both mentally and physically, every day.

Wellbeing network

We have a dedicated Company-wide wellbeing network chaired by our group commercial director as Executive Board sponsor supported by contract-based wellbeing champions. Our work to promote mental health is also supported by ensuring everyone has access to one of our mental health first aiders with coverage across the business. Our Group-wide team of occupational health nurses provide a core of medical expertise to support both the wellbeing network, our cadre of mental health first aiders and the wider Company. We strive to be at our best while influencing and supporting others to be the same.

Mental health at work

We continue to follow the framework set out in the Business in The Community (BITC) 'Mental Health at Work commitment' to improve standards of mental health care among the workforce and our supply chain. Our group commercial director, David Taylor (our Board wellbeing champion) 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 and driving collective action through evidence-based, practical solutions.

Wellbeing is a core element of all our line manager training and is brought into focus at a team level through practical procedures covering areas such as dynamic working and personal energy. A key element of our approach is the thrive plan which helps teams manage personal energy and dynamic working to benefit the individual, the team and the business. In 2023 our teams reviewed all their Thrive Plans to take account of the feedback we received from our People Survey at the end of 2022 and the refreshed plans put into action.

Costain wellbeing 2024

In late 2023, employee wellbeing at Costain was strengthened by the creation of a new Wellbeing Manager role. This means that work wellbeing will have a more strategic focus going forward, putting wellbeing at the heart of Costain culture. In 2024, we will use our data about employee wellbeing, from the Best Companies 2023 engagement survey, human resources and occupational health, to refresh our corporate wellbeing priorities. We will develop and launch a wellbeing strategy based on these priorities, supporting the creation of an ecosystem that enables all employees to work well. The wellbeing ecosystem will improve our organisation through the following activities:

- Establishing a wellbeing dataset for monitoring and evaluation purposes.
- Re-establishing governance structures and function for wellbeing to improve activity and accountability.
- Review and redesign interventions to maintain and enhance wellbeing to ensure good uptake and outcomes.
- Redesign the work environment (people, processes and procurement) to ensure that people can be supported by the system to be well.

By addressing employee wellbeing, we can support them to improve their resilience, provide effective interventions to manage their wellbeing throughout their work life and help them to be happy and engaged at work.

Mental health and wellbeing

The Manchester office Mental Health First Aider (MHFA) forum has been recognised through our internal award scheme for its outstanding efforts in raising awareness of the team, increasing the visibility of its members, as well as implementing a new structure and orchestrating successful initiatives.

Our Manchester office has had MHFA for many years, however following the results of a local survey, it became apparent that many people didn't know that the team existed. The team saw this as a wake-up call and decided that action was needed to attract more active members, with new ideas and enthusiasm to help take initiatives forward.

Together, the team have successfully:

- Implemented a 'recruitment drive', doubling their numbers and also collaborating with the MHFA from the United Utilities MSP programme and the National Highways M6 project teams. This provides a monthly check-in point to locally share ideas and discuss initiatives to take forward.
- Changed the structure of the forum and introduced 'associates' who can choose their commitment level and input to suit their work and personal lives.
- Planned for at least one forum member to be in our Manchester office every Tuesday so there is someone available to talk to. MHFA's are also around the office on other days.
- Hosted an Naomi who works for a subcontractor on the M6 project, and her assistance dog, Wren (pictured below with MHFA Adam), at the Manchester office to raise awareness of individuals who are hard of hearing and the importance of hearing dogs. The team has since sponsored the training of two hearing dogs, Noah and Wish, and are working with a local customer project to sponsor a third.

"We have really worked hard to promote mental health and wellbeing in our Manchester office. It's been great to see colleagues attending our lunchtime chat about stress and anxiety, joining us for coffee and cake for Time to Talk day, sharing their feedback in a sleep survey, as well as attending physical health sessions with Nuffield Health and facilitating the Graduates and Apprenticeships tailored wellbeing sessions."

Lisa Thomas
Chair of the Manchester MHFA Forum



Volunteering on the farm

Our environment, sustainability and social value (ESSV) advisory team came together for a volunteering event at a community farm, located just south of Bristol.

The farm is a sanctuary where local, organic food is produced with care, free from pesticides, and relying on old traditions that respect the natural world. Annually, over a thousand people work with the land, collaborating, or supporting it, and many families in need benefit from the surplus of this community farm thanks to volunteers. The wellbeing benefits of spending time in nature and contributing to organic food production that benefits a local community were experienced by all participants.

Together, the team engaged in various tasks, including preparing the ground, planting, harvesting and taste-testing. This introduction to the life and ethos of the farm, solidified the importance of the individual contribution to social value and the joy found in connecting with the earth and each other. The farm's host emphasised the role of volunteers in aiding the practical aspects of farming and also in being a vital component of the overall project, promoting community involvement, skills development, and fostering a sociable and supportive environment. There is also great benefit in the rich habitats for wildlife that the farm supports and the health and wellbeing aspects that organic farming provides for volunteers and the local community.

"The best part of the day was when the team came together at the end to remove the cucumber plants that had already been harvested. Working collectively, as a well-oiled machine, each of us fully embraced our roles, whether it be on the broad fork, the hoeing wheel, raking, shovelling, or using the wheelbarrow to achieve our goal!"

John Edwards
ESSV Advisory Lead





Equality, diversity and inclusion (EDI)

Inclusion is fundamental to our approach to ESG. Every employee should feel able to participate, contribute and challenge the status quo, and this is how psychological safety will draw out the benefits of diverse teams. We use both quantitative and qualitative data to inform our approach to inclusion. We are continuing to invest in our data and reporting capabilities as well as maintaining our employee feedback loops to identify targeted actions to address our pay gaps.

Gender Pay Gap Report

We are pleased to report that in 2023, our gender pay gap has reduced by 2.20% from 2022. We have also seen a 2.04% increase in the proportion of women in the lower middle quartile and a reduction of women in the lower quartile by 1.57%.

Our diversity monitoring showed a drop in the ratio of women to men at middle management grades. Based on feedback from a survey of women in the business, in 2023 we piloted Empower, a development programme aimed at tackling barriers to women’s progression into senior roles. The programme is sponsored by our general counsel and company secretary, Nicole Geoghegan.

We are tackling bias in career progression through the launch of our Job Architecture, which directly associates job roles with set reward and benefits. Our new career path framework also clarifies every role’s responsibilities, addressing potential bias in promotion decisions.

Our learning and development team is working with line managers to address the impact of imposter syndrome on diversifying our leadership pipeline. Consequently, this year’s emerging leaders programme cohort was 56% female with 20% of delegates from an ethnic minority background.

Ethnicity pay gap

Our ethnicity pay gap has increased by 1.75% for Asian employees and 1.45% for Mixed Heritage and Other Ethnicity employees, while the gap has decreased by 0.25% for Black employees. We have seen a 1.73% increase in the proportion of Asian colleagues and a 1.16% increase in the proportion of Black colleagues in the lower middle quartile. There has also been an increase of 1.08% in the proportion of Black colleagues in the upper middle quartile since last year.

This year, we are running listening circles with employees from different ethnic backgrounds to understand the different experiences of pay and reward reflected by our ethnic groups, and how best to tackle our ethnicity pay gaps.

We have also completed the second cohort of our mutual mentoring scheme, which pairs members of our religion, ethnicity and cultural heritage network with senior leaders in the Company.

Below we have outlined our 2023 statistics for female and ethnic representation:

Gender representation at 31 December

Level	Number of Board members	Number of senior positions on the Board	Number of executive management	Number in senior management	Employee population
Male	4 of 8	2 of 4	3 of 8	19 of 29	71.2%
Female	4 of 8	2 of 4	5 of 8	10 of 29	28.8%
Other categories	0 of 8	0 of 4	0 of 8	0 of 29	0%
Not specified/prefer not to say	0 of 8	0 of 4	0 of 8	0 of 29	0%

Ethnic representation at 31 December 2023

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	Percentage of employee population
Asian/Asian British	0 of 8	0%	0 of 4	1 of 7	14.3%	8.65%
Black/African/Caribbean/Black British Mixed/	0 of 8	0%	0 of 4	0 of 7	0%	4.92%
Multiple Ethnic Groups	0 of 8	0%	0 of 4	0 of 7	0%	1.38%
British White British or other White (including minority-white groups)	7 of 8	87.5%	4 of 4	6 of 7	85.7%	78.99%
Other ethnic group, including Arab	1 of 8	12.5%	0 of 4	0 of 7	0%	0.76%
Not specified/prefer not to say	0 of 8	0%	0 of 4	0 of 7	0%	5.29%

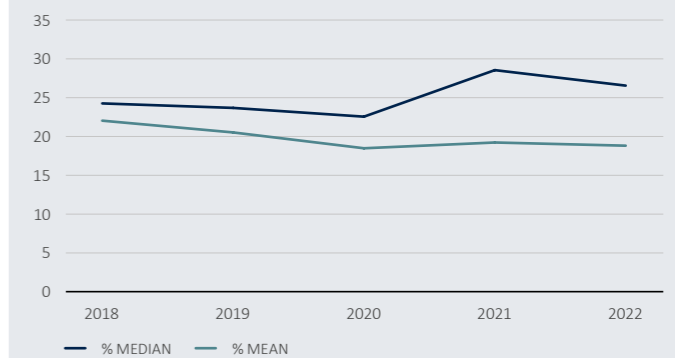


Find out more / www.costain.com/our-culture/equality-diversity-and-inclusion/

Ethnicity Pay Gap

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

Gender Pay Gap





Equality, diversity and inclusion (EDI) continued

Continuous improvement

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

We continue to evolve our way of working to be best practice by being a Stonewall Diversity Champion, a member of Working Families, a Disability Confident Employer, a member of the Valuable 500, a signatory of the Armed Forces Covenant and a member of Business in the Community. This year we became a member of the Business Disability Forum to support our commitment to becoming a Disability Confident Leader by the end of 2024.

Our pledges



Find out more about our 2021–2024 Inclusion Strategy
www.costain.com/our-culture/equality-diversity-and-inclusion/

Our employee networks

Our six employee networks are crucial to obtaining a narrative around the numbers from our diversity data monitoring. Our employee networks and 'your voice' forum are key to creating safe spaces where employees can provide honest feedback to the Company, which can be translated into action.

Our **disability and wellbeing network** has been key to supporting the Company in becoming a Disability Confident Employer in 2021 and is working towards Costain becoming a Disability Confident Leader. The network has led change by supporting the business to join the Hidden Disability Sunflower Scheme and become a member organisation of The Valuable 500 and the Business Disability Forum.

Our **LGBT+ and allies network** actively creates a safe space for LGBT+ colleagues and allies to share their experiences and raises awareness of marginalised groups within the LGBT+ community. The network drives best practices and organises our annual Pride march in Manchester, increasing the visibility of Costain as an LGBT+ inclusive place to work.

Our **religion, ethnicity and cultural heritage network** has evolved our mutual mentoring scheme which pairs members of the network with senior leaders in the business to allow for a two-way learning share. The scheme offered space for structured conversations around stereotypes, microaggressions, role models and access to career-boosting projects.

Our **services and service families network** works to create an inclusive and supportive community for those connected to the military or emergency services, by supporting transitioning service personnel into our industry alongside our talent acquisition team and providing mentoring support. The network aims to prevent any member from ever feeling isolated.

Our **parenting and carers network** has been a driving force in the decision to expand our leave offerings for parents and carers, based on recent legislation updates.

Our **women's network** has actively sought out the views of women through a Company-wide survey to understand the perceived barriers to the progression of women. The network has worked closely with our learning and development team to support the development of Empower, a new programme to address tackling barriers to women's progression into senior roles.

"We have a strong commitment to inclusion and wellbeing, which is supported by our employee networks, wellbeing champions and mental health first aiders. Inclusion affects everyone and is key to our approach to ESG. Everyone needs to feel able to participate, contribute and challenge and this is how psychological safety brings out the benefits of diverse teams."

Jyoti Sehdev
 Group EDI Manager



Manchester Pride August 2023

We were delighted to march again at Manchester Pride this year and demonstrate our visible support and encouragement to the LGBTQ+ community at Costain and within our industry.



Enhancing our support for parents and carers

In 2022, we hosted our first inclusion-themed leadership impact day. We presented and promoted conversations around active allyship, inclusive teams and psychological safety.

We have been a member of Working Families since 2020. Our most recent submission to the Working Families Top Employers Benchmark highlighted that our benefits package was not aligned to the industry best practice, 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 our employee forum your voice in line with the feedback from the benchmark.

Our parenting and carers network raised the Company's awareness of carers needs in 2023 through regular conversations, as well as the Carers Leave Bill. The Bill entitles all employees to five days unpaid carers leave per annum and gained Royal Assent in May 2023.

From 2024, Costain now offers:

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

Our materially important governance issues:

Ethical corporate behaviour

Responsible procurement and supply chain management

Organisational and product quality

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 range of ESG issues.



Ethical corporate behaviour

The Board has overall accountability for ESG-related matters. The Executive Board is responsible for ensuring that policies and processes are aligned with our wider business objectives.

Management system

Costain operates a Group-wide integrated management system, which is made available to all employees and relevant stakeholders through the Costain Way.

Content of the Costain Way is controlled, managed, reviewed and updated as necessary through a network of process owners and Board sponsors to:

- ensure compliance with appropriate legislation and codes of practice
- assure customers, employees and the leaders of Costain that our systems, procedures and processes are effective at mitigating identified risks and
- ensure management controls are consistently and effectively applied across the Costain Group.

There are six core document types within the Costain Way: policy, must do statement, gate, how to, information guide and tool.

To elevate priority processes related to mitigating corporate risk, the Costain Way implements a system of gates and must do statements. These form our mandatory controls and the related activities apply to all contracts including joint ventures, internal departments and all employees.

Policies

We annually review our policies which are prominently placed on our website (see page 32) 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.

Internal audit

We have a programme of risk-based audits conducted by a third party, Mazars. The programme of audits is agreed with the Audit and Risk Committee and focuses on key areas of risk and corresponding controls.

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 and Risk Committee regularly.

Whistleblowing and fraud

In December 2022, a new dedicated, specialist fraud investigator joined Costain, reporting to the general counsel and company secretary. This appointment recognised the specialist skills required for fraud investigation and mitigation, demonstrating the Company’s commitment to protecting Costain’s financial performance.

During 2023 the Audit and Risk Committee received regular updates on the nature and number of referrals to the whistleblowing line, the outcomes of the resulting investigations and any process improvements that were recommended to avoid recurrence.

Certifications

Being certified and maintaining standards is vital to upholding Costain’s reputation, giving confidence to our stakeholders in our approach. Costain currently holds eight standards which apply to 100% of Costain’s business operations. These standards are kept up-to-date and independently certified by BSI (see below).

Costain is certified by BSI to the following standards:

ISO 9001	Quality Management Systems (see page 28)
ISO 14001	Environmental Management Systems (see page 8)
ISO 45001	Occupational Health & Safety Management Systems (see page 21-22)
ISO 22301	Business Continuity Management Systems
ISO 27001	Information Security Management Systems
ISO 44001	Collaborative Business Relationships
ISO 20000-1	Information Technology Service Management
PAS 2080	Carbon Management In Infrastructure (see page 12)

In 2023, we were recertified for the following standards: ISO 9001:2015 Quality Management, ISO 14001:2015 Environmental Management, ISO 45001:2018 Occupational Health & Safety Management and ISO 20000-1:2018 IT Service Management.



Code of conduct

In 2023 we updated our code of conduct and associated training to include an additional focus on competition law, conflicts of interest, and gifts and hospitality.

Ensuring our people fully understand the code of conduct is fundamental to creating our expected culture and behaviours. To test the effectiveness of the policies that underpin our code of conduct, we developed a training suite around hypothetical scenarios, requiring colleagues to apply learning to pass the training modules.

A key part of raising awareness of unethical practices is to create a clear means for colleagues, partners and suppliers to raise concerns.

We encourage our people to call out behaviours which they deem outside of our values and behaviours and in some instances, this would require formal escalation such as:

- Reporting to a line manager or local manager.
- Where this is not possible reporting to HR or legal team.
- And finally, where an individual would like to speak in confidence, our independent whistleblowing hotline.

94%
code of conduct completion rate

Annually
policies updated



Responsible procurement and supply chain management

Costain is committed to the principles of responsible business and operates in compliance with all relevant laws and regulations. This includes the procurement of goods and services made either directly or through our supply chain. We understand that procurement is one of the greatest levers we can pull in accelerating our journey to net zero carbon and maximising social value.

Our approach

Across the business, we adopt and apply the principles of ISO 20400:2017 Sustainable procurement to enable us to maintain a value based supply chain that contributes to our ESG programme goals.

We maintain a strategic supplier base to reduce risk and invest in sustainable outcomes. Suppliers to Costain are classified as strategic, preferred, or verified suppliers. Costain’s supply chain consists of 73 strategic supply chain partners, 201 preferred supply chain partners and 2,831 verified suppliers. Typically, Costain spends over £1bn annually and 96% of our direct spend is with UK-registered companies.

We ensure that supplier procurement activities are aligned with 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 working with us. We are strengthening our relationship with our suppliers, collaborating on carbon reduction and social value programmes.

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. We are pleased to report that we will meet this target in 2024. In addition to our VCSE and small business spend, we also aim for at least 35% of our total expenditure to be with SMEs, a target we have met for the past five years.

	2023	2022	2021
Spend with VCSEs and small businesses	£319m	£322m	£322m
% of spend with VCSEs and small businesses	18%	18%	21%
Spend with SMEs	£655m	£701m	£319m
% of spend with SMEs	38%	38%	38%
SMEs completing Costain’s supply chain academy	50	14	84

Investment in a diverse supply chain is important because it creates social and economic value, and also helps to maintain a resilient and innovative supply base. We continue to invest in the pipeline of smaller businesses, ensuring that we have a healthy and diverse supply chain.

We are proud to operate our dedicated supply chain academy for SMEs, which in 2023 saw 50 SMEs enhance their skills and capabilities. The Costain supply chain academy provides free of charge detailed training on a variety of topics including commercial, HR, wellbeing, carbon and inclusion.

“Heathrow has a shared passion with our partner Costain to support our local economy and more importantly help develop the capability of local businesses who want to be a part of the airport’s ecosystem. This academy for local business not only provides that opportunity but centres on the essential elements to work at Heathrow or any major client. Heathrow is proud to work alongside Costain who are leading the way on local business engagement.”

Paul Doherty
Procurement Director, Heathrow Airport

Upskilling our supply chain

Further to Costain’s supply chain academy, we are partners 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 school’s 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 90% (2022:91%) of suppliers were paid within agreed terms. We continue to rank within the top four of construction’s fastest paying main contractors.

Criteria of the code	Costain performance		
	2023	2022	2021
95% of all invoices paid within 60 days	98%	98%	97%
95% of invoices from businesses with fewer than 50 employees within 30 days	84%	86%	84%



Supplier labour desk

Our procurement and supply chain team undertook a significant strategic supplier review in 2023 to ensure alignment with Costain’s standards, policies and goals.

Strategic suppliers and prospective suppliers from: plant and fleet; drainage; materials; traffic management; design partners; structural steel, piling, earthworks; water; and waste management took part in this broad-ranging assessment.

Of the topics suppliers were assessed against, ESG topics formed a significant part as well as assessing processes, control measures and cultural fit.

Additionally, a review and consolidation of labour suppliers was undertaken for Costain to create a strategic labour desk that will support a more efficient approach to resourcing our construction contracts and the reduction of people-related risks. This process involved engaging prospective suppliers in various aspects of their social responsibilities, including ethical labour, the real Living Wage, diversity, and inclusion.

As part of our endeavours to reduce ethical labour risks, we are monitoring supplier performance and report that 100% of our strategic labour suppliers have undertaken an independent ethical labour audit and have improvement action plans in place.

“We have a big opportunity to increase our social value and reduce risk by implementing sustainable procurement principles.”

Teik Tan
Procurement Manager



Organisational and product quality

During 2023 we have strengthened our quality-focused team and rolled out a more robust operational structure. This has successfully moved our quality teams to a leading position and drives our quality culture across our projects and wider supply chain partners. We are continuing to upskill and drive our teams to deliver right first time through clear leadership for product and organisational quality.

Strengthened quality leadership

We have established a cross-Costain quality senior leader team to drive initiatives and ensure learning is embedded, with a particular focus on sharing best practices from across our wide range of project types through a variety of means, including quality community team 'drop-in sessions'. We have also refreshed our leadership team which sits under the director of strategy and transformation and consists of a head of organisational quality to ensure we do the right things and a head of product quality to ensure we do things right first time.

During 2023, we defined the Costain quality organisational structure and job family. This is underpinned by a refreshed competence structure, training plans and job role descriptions to ensure our teams apply their skills in a consistent and compliant approach. This also supports the career progression and personal development of our quality organisation.

To enhance our corporate quality policy we updated our quality objectives, these are being deployed in 2024 to support our leading indicators approach ensuring that we proactively manage quality across our operations. The quality policy includes a commitment to meeting customer expectations through standard ways of working, a right first-time culture, a risk-based approach to process controls, strategy and quality plans, and continuous improvement.

“To improve our processes, we’ve shared best practice with the supply chain and other contractors. We’ve visited each other’s projects, shared lean templates and efficiencies that others could potentially replicate and shared training material. It’s helped us implement new practices to remove waste and benefited our teams and customers.”

Victoria Pattie
Framework Lean Manager

Continuous improvement

The continuous improvement team deliver our strategy to improve productivity, enhance quality and minimise risk by leading the development and continuous improvement of the integrated management system (IMS). The Costain Way, our IMS, continues to be updated to reflect our project and technology needs. We continue to drive improvements to ensure we have an interactive and user-friendly IMS that meets the requirements of all relevant standards and legislation. Last year we successfully achieved recertification of ISO 9001 Quality Management, ISO 14001 Environmental and ISO 45001 Health and Safety.

In 2023, we reissued our popular Costain 'do it right' guide, developed by over 50 team members, providing clear guidance and signposting on technical subjects in this 250+ page document. New sections include water management, carbon reduction, welding, biodiversity net gain, reinforced earth retaining walls, waste management, sprayed concrete lining, engineering for heritage assets and archaeology. This document is hosted on our Costain Way and also available as a hard copy to all our teams and partners.

In preparation for the 2025 rollout of International Financial Reporting Standards (IRFS) Structural Integrity and Safety (IF-EN-250a.1 and 2) reporting, we are proactively finalising our plans to capture defect-related data and ensure error root causes learning is further embedded. This reporting will also use our refreshed leading indicators to improve project outcomes.

Professional training

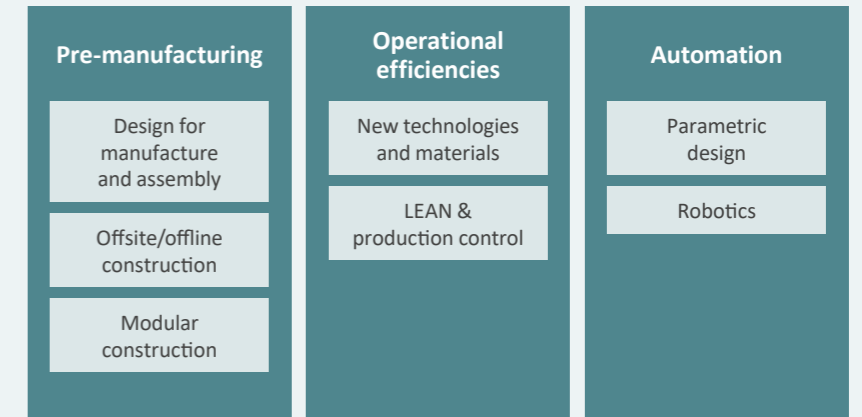
We have reinvigorated our engagement with the Chartered Quality Institute (CQI) and appointed key individuals to maximise benefits from this global organisation. During 2023 we successfully sponsored 12 of our team to achieve CQI Practitioner, which included over 180 hours of quality training.

We are an active supporter of the Get it Right Initiative, a cohort of industry focused on improving the UK construction sector. Areas of involvement include training development, industry working groups and contributions to publications.

In 2023 we continued to strengthen our skills through a variety of methods including over 60 of our team undertaking Leading Quality training, developing engineer led e-learning modules, issuing technical briefing notes on key topics, and supporting chartership and fellowship applications across a variety of technical and quality disciplines.

In 2024, we will continue to build the quality culture of right first time through a focus on performance measures, using leading and lagging indicators to continue the delivery excellence for our customers. We have focused on strengthening our leading indicators for design to ensure our right first time and safe by design ethos is achieved.

We continue to support innovative approaches in contract delivery, products/materials and digital tools. These are underpinned by a robust assurance process to ensure resilience and compliance. In 2023 this included low carbon concrete, digital design and robotics.



Production thinking driving our quality culture

In 2023, there was a successful roll out of a production thinking e-learning module, which has been completed by over 850 of our team. By creating a digital Costain production thinking menu of opportunity with over 130 solutions we have given our teams the tools to make better decisions in construction methodology and improve predictability of outcome. We are continually building this menu and sharing carbon and cost positive examples, building our off-site/modern methods of construction portfolio.

This production thinking approach is based on seven pillars (see diagram above) and each drives quality, predictability, safety and low carbon thinking into all our delivery teams. The seven pillars which have been aligned into three workstreams are applicable to all stages of a project lifecycle – pre-manufacturing, operational efficiencies, and automation. Teams are supported by our expert pillar leads to embed new approaches, including at the key early contractor involvement stages of projects to ensure a quality and innovative delivery is reliably achieved.

We have seen high levels of engagement from across Costain and our supply chain partners, including design and temporary works, and from customer workshops. We will be building on the success of 2023 into 2024 by increasing resources, expanding our menu of opportunity and providing further training.

“The workshop got us thinking differently about how we can work smarter, incorporating more efficient tools and utilising offsite manufacture to improve outcomes. It starts the process of how we can reapply previous successful case studies and we’re looking forward to another follow-up session soon.”

James Bucknall
Senior Agent, M1 NEAR Project



SASB disclosure alignment

Costain has mapped where possible 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 2023 is not fully consistent with the requirement for the SASB Engineering and Construction services standard and 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	P8	IF-EN-160a.1
Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	P8, 15	IF-EN-160a.2
STRUCTURAL INTEGRITY & SAFETY		
METRIC	LOCATION	CODE
Amount of defect- and safety-related rework costs		IF-EN-250a.1
Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents	Not disclosed	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	P22	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	P8	IF-EN-410a.1
Discussion of the 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		F-EN-410b.1
Amount of backlog cancellations associated with hydrocarbon-related projects	Not disclosed	F-EN-410b.2
Amount of backlog for non-energy projects associated with climate change mitigation		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		F-EN-000.A
Number of commissioned projects	Not disclosed	F-EN-000.B
Total backlog		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: P4 Annual report 2023: 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 2023: P2	Costain solely operates in the UK
GRI 102: 5	Ownership and legal form	Annual report 2023: P179–184	
GRI 102: 6	Markets served	Annual report 2023: P2,12	
GRI 102: 7	Scale of the organisation	Annual report 2023: P24–27	
GRI 102: 8	Information on employees and other workers	Social: P19–25	
GRI 102: 9	Supply chain	Governance: P28	
GRI 102: 10	Significant changes to the organisation and its supply chain	Annual report 2023: P7–9	
GRI 102: 11	Precautionary principle or approach	About this report: P33	
GRI 102: 12	External initiatives	P2, 3, 18, 19, 20, 22, 24	
GRI 102: 13	Membership of associations	P2, 25	
Strategy			
GRI 102: 14	Statement from senior decision-maker	Chief Executive Statement: P2–3	
Ethics and integrity			
GRI 102: 16	Values, principles, standards and norms of behaviour	Annual report 2023: P72–77	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 2023: P64–65	
Stakeholder engagement			
GRI 102: 40	List of stakeholder groups	Annual Report 2023: P30	
GRI 102: 42	Identifying and selecting stakeholders	Annual Report 2023: P30	
GRI 102: 43	Approach to stakeholder engagement	Annual Report 2023: P66–67	
GRI 102: 44	Key topics and concerns raised	Annual Report 2023: P66–69	
Reporting practice			
GRI 102: 45	Entities included in the consolidated financial statements	Annual report 2023: P180–183	
GRI 102: 46	Defining report content and topic boundaries	Materiality: P5	
GRI 102: 47	List of material topics	Governance: P5	
GRI 102: 48	Restatements of information	P11	
GRI 102: 49	Changes in reporting	N/A	No material changes
GRI 102: 50	Reporting period	About this report: P33	
GRI 102: 51	Date of most recent report	About this report: P33	
GRI 102: 52	Reporting cycle	About this report: P33	
GRI 102: 53	Contact point for questions regarding the report	About this report: P33	corporate.responsibility@costain.com
GRI 102: 54	Claims of reporting in accordance with the GRI Standards	GRI Index: P31–32	
GRI 102: 55	GRI content index	GRI Index: P31–32	
GRI 102: 56	External assurance	About this report: P33	



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	Annual report 2023: P34–38	
GRI 203-1	Infrastructure investments and services supported	Annual report 2023: P24–27	
GRI 204-1	Proportion of spending on local suppliers	Governance: P28	
Environmental			
GRI 301-1	Materials used by weight or volume	Not disclosed	
GRI 302-1	Energy consumption within the organisation	Environment: P11	
GRI 304-2	Significant impacts of activities, products and services on biodiversity	Environment: P14–16	
GRI 305-1	Direct (Scope 1) GHG emissions	Environment: P11	
GRI 305-2	Energy indirect (Scope 2) GHG emissions 9	Environment: P11	
GRI 305-3	Other indirect (Scope 3) GHG emissions 11	Environment: P11	
GRI 305-4	GHG emissions intensity	Environment: P11	
GRI 306-2	Waste by type and disposal method	Not disclosed	
GRI 307-1	Non-compliance with environmental laws and regulations	Environment: P8	

GRI Standard	Disclosure	Location	Additional information/Omissions
Topic-specific standards			
Social			
GRI 403-1	Occupational health and safety management system	P21, 26	
GRI 403-3	Occupational health services	Social: P21–22	
GRI 403-9	Work-related injuries	Social: P21	
GRI 404-1	Average hours of training per year per employee	Not disclosed	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Not disclosed	
GRI 405-1	Diversity of governance bodies and employees	Annual report 2023: P70–71	
GRI 405-2	Ratio of basic salary and remuneration of women to men	Social: P23	
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Modern slavery statement 2023	Costain.com/our-culture/modern-slavery-transparency-statement
GRI 413-1	Operations with local community engagement, impact assessments, and development programmes	Social: P18–20, 22	



About this report

This report highlights our approach to being a responsible business through governance, material issues, strategy and performance during the 2023 financial year (1 January 2023 to 31 December 2023), 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 programme 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 30–31).

This is our annual ESG Report, published 9 April 2024.

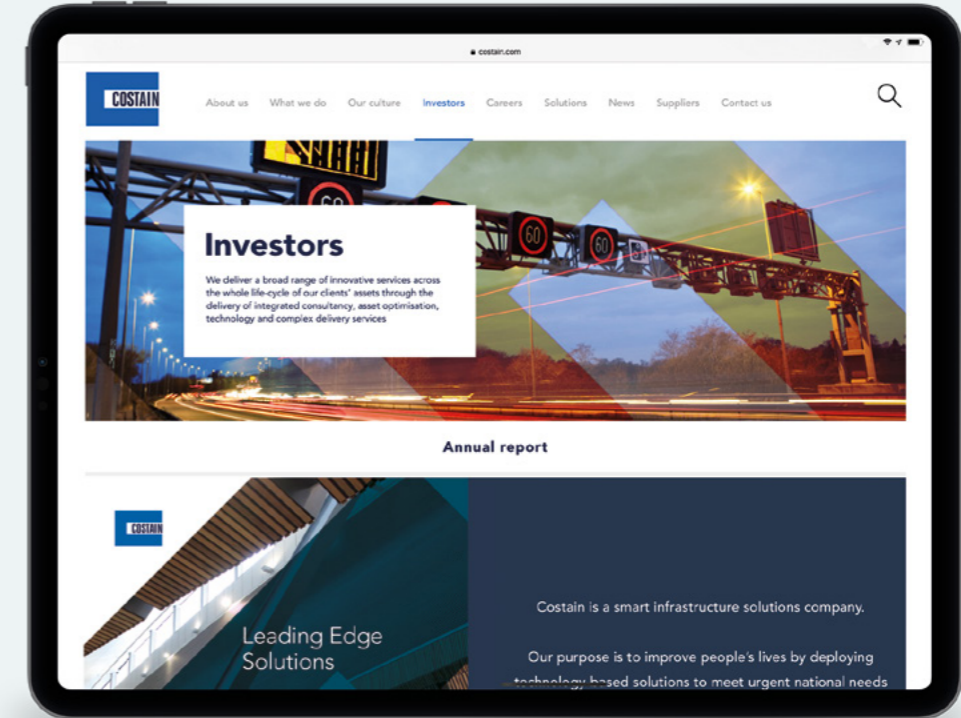
Assurance

Costain commissions Achilles to undertake limited assurance on three KPIs:

- Green house gas emissions, which is calculated in line with the GHG Protocol and is third-party accredited by Achilles in accordance with Toitū carbonreduce scheme and ISO 14064-1
- Overall gender diversity
- Small business and VCSE spend

For safety, health and environment 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 Audit and Risk Committee 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 2023 Group Annual Report can be viewed at: www.Costain.com/investors

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