
# Creating a sustainable future

COSTAIN

Annual Report and Accounts **2024**

# Together we shape, create and deliver solutions that transform the performance of the infrastructure ecosystem.



For the latest investor relations information visit our website / **www.costain.com/investors**



## Financial highlights

| | Revenue |
|---|---|
| 2024 | £1,251.1m |
| 2023 | £1,332.0m |
| 2022 | £1,421.4m |

**Revenue**
£1,251.1m

| | Operating profit |
|---|---|
| 2024 | £31.1m |
| 2023 | £26.8m |
| 2022 | £34.9m |

**Operating profit**
£31.1m

| | Operating profit margin |
|---|---|
| 2024 | 2.5% |
| 2023 | 2.0% |
| 2022 | 2.5% |

**Operating profit margin**
2.5%

| | Basic earnings per share |
|---|---|
| 2024 | 11.3p |
| 2023 | 8.1p |
| 2022 | 9.4p |

**Basic earnings per share**
11.3p

| | Adjusted free cash flow |
|---|---|
| 2024 | £27.1m |
| 2023 | £72.0m |
| 2022 | £72.9m |

**Adjusted free cash flow[1]**
£27.1m

| | Adjusted operating profit |
|---|---|
| 2024 | £43.1m |
| 2023 | £40.1m |
| 2022 | £36.3m |

**Adjusted operating profit[2]**
£43.1m

| Year | Adjusted operating profit margin |
|---|---|
| 2024 | 3.4% |
| 2023 | 3.0% |
| 2022 | 2.6% |

**Adjusted operating profit margin[2]**
3.4%

| Year | Adjusted basic earnings per share |
|---|---|
| 2024 | 14.6p |
| 2023 | 12.2p |
| 2022 | 9.9p |

**Adjusted basic earnings per share[2]**
14.6p

1 Adjusted free cash flow is defined as cash from operations, excluding cash flows relating to adjusting items and pension deficit contributions, less taxation and capital expenditure.

2 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

3 Lost time injury rate is calculated by dividing the number of lost time Injuries by the number of hours worked, multiplied by 100,000.

4 Social contribution is defined as the sum of charitable/community donations, employee fundraising, and the social value resulting from employee volunteering.

See our KPIs for more information on the above / **pages 30 and 31**

## Non-financial highlights

| | Safety |
|---|---|
| 2024 | 0.11 LTIR |
| 2023 | 0.12 LTIR |
| 2022 | 0.09 LTIR |

**Safety[3]**
0.11 LTIR

| Year | Social contribution |
|---|---|
| 2024 | £410k |
| 2023 | £460k |
| 2022 | £391k |

**Social contribution[4]**
£410k

| | Carbon emissions |
|---|---|
| 2024 | 278,218$tCO_2e$ |
| 2023 | 281,355$tCO_2e$ |
| 2022 | 320,722$tCO_2e$ |

**Carbon emissions (scope 1,2 and 3)**
278,218$tCO_2e$

### Our sustainability performance

Operating responsibly is integral to our strategic priorities of people, planet and performance, underpinning how we operate and our expectations of our people, suppliers and partners.

For further information, download our Sustainability performance and Sustainability report here / **www.costain.com/our-culture/performance-and-reports/**

See our Sustainability Performance for more information / **page 34**

Our Purpose

# Improving people's lives

## How we do that

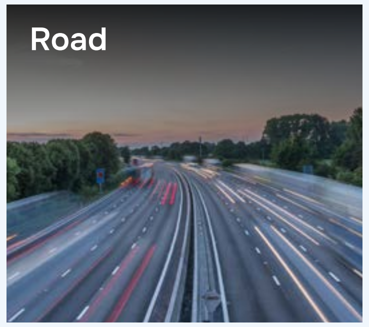
We shape, create and deliver pioneering solutions that transform the performance of the infrastructure ecosystem.

## Where we operate

**Our focus is on four essential markets in the UK: Transport, Water, Energy and Defence and everything we do is rooted in delivering pioneering solutions and is organised around our customers.**

### Transportation

Within the Transportation division, we support key customers such as government transport agencies, as well as local and devolved authorities and private regulated bodies. We report results in three sectors:


Road


Rail


Integrated Transport

### Natural Resources

Within the Natural Resources division we work with privately-owned utility, water and sewerage companies, with energy companies, and in defence, with several public and private sector organisations.
We report results in three sectors:


Water


Energy


Defence and Nuclear Energy

See our Operational Review / **pages 24 to 29**

## Our vision

To create connected, sustainable infrastructure enabling people and the planet to thrive.

## Our targets

Increasing revenue and operating profit, delivering a run-rate of 4.5% adjusted operating profit[1] during 2025, and in excess of 5.0% thereafter.

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

See our Vision and Strategy / **page 12**

## How we measure success

Our KPIs are aligned with how we measure our performance against our strategic priorities. These reflect our vision of creating infrastructure that helps people and the planet to thrive, while also ensuring that we deliver for all our stakeholders.

See our KPIs / **pages 30 and 31**
See our Risk Management and Principal risks / **pages 50 to 55**

## Our stakeholders

We collaborate more closely than ever with customers, partners, communities, government, wider industry and shareholders to meet today's infrastructure demands.

See Our Stakeholders / **pages 32 and 33**

"We continue to deliver well, growing our adjusted operating profit, and importantly, exceeding our 2024 margin target. Our forward work position of £5.4bn was a record increase as we build a long-term pipeline of future opportunities for the Group, and together with our customers we are creating the prosperity, resilience and decarbonisation of the UK."

**Kate Rock**
Chair

Chair's Statement

# Another strong operational performance, delivering on our strategy and increasing shareholder value.

| | |
|---|---|
| **2024** | **£43.1m** |
| 2023 | £40.1m |
| 2022 | £36.3m |

Adjusted operating profit[1]

£43.1m

| | |
|---|---|
| **2024** | **£27.1m** |
| 2023 | £72.0m |
| 2022 | £72.9m |

Adjusted free cash flow[2]

£27.1m

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

2 Adjusted free cash flow is defined as cash from operations, excluding cash flows relating to adjusting items and pension deficit contributions, less taxation and capital expenditure.



## Costain delivered another strong set of financial results in 2024 with adjusted operating profit[1] increasing for the fourth year in a row. Our adjusted operating margin[1] of 4.4% in the second half exceeded our 2024 target of a 3.5% run-rate during the year.

Our financial performance delivered another strong set of results, as we continue to progress well against our strategy, clearly demonstrating the strength of our multi-sector strategic focus and the robustness of Costain's operational and financial management.

Significantly, our adjusted operating margin[1] of 4.4% in H2 24 exceeded the 3.5% target margin run-rate to be achieved during the course of 2024, and we remain on track to deliver a 4.5% margin run-rate during 2025. At the same time, we have been successful in growing our forward work position, increasing by a record £1.5bn in 2023 to £5.4bn. Alex Vaughan, CEO, discusses our ongoing operational improvement and the increasing strength of our long-term prospects in the Chief Executive Officer's Statement on pages 8 to 11. Helen Willis, CFO, expands on our financial performance in the Chief Financial Officer's Review on pages 46 to 49.

### Our customers

There remains a greater requirement than ever to update, connect and integrate infrastructure ecosystems to meet the needs of the UK's growing population, address the impact of climate change and support increased economic and environmental resilience. These are key targets in the new Government's mission to create a prosperous, resilient and decarbonised UK.

Our strategy remains unchanged: Costain's commitment to creating connected, resilient and sustainable infrastructure is core to all our activities, with our focus remaining on the four key markets of Transport, Water, Energy and Defence. We focus on long-term, strategic relationships with Tier 1 customers who are meeting critical national needs. We aim to be the partner of choice for all our customers as they meet their business challenges, bringing together a unique mix of engineering and consulting solutions for increasingly complex problems. We discuss our strategy in more detail on pages 9 to 11.

Costain's strategic focus delivered a forward work position of £5.4bn at the end of 2024, a record increase on the £3.9bn we saw at the end of 2023, which was driven mainly by growth in Water and Rail. As I noted last year, we forecast that the Water sector's AMP8 (Asset Management Plan) programme would be at least twice the size of AMP7, as the UK looks to upgrade and increase the resilience of its water infrastructure. In Energy, we are increasingly active in carbon-reduction technologies such as the hydrogen project in Teesside.

We also were pleased to see the commitment to completing the tunnelling to Euston for HS2 announced in the October 2024 Budget, and in December, firstly as a sole bidder, and then also via a joint venture, Costain was awarded two further major HS2 systems contracts.

Looking more broadly, there remains a continued commitment to improving the UK's infrastructure. We expect further details for UK infrastructure spending to be set out in the Government's 2025 Spring Review.

### Delivering sustainability

Delivering sustainable solutions to our customers and applying these same principles to our internal operations is of crucial importance and runs through everything we do as a Group. In 2024 we completed our second annual double materiality assessment, re-confirming the materially important ESG issues for Costain as set out in our 2023 ESG programme. One of the most materially important ESG issues for Costain is our transition to net zero.

We have been working hard to develop a robust and ambitious carbon transition plan (see pages 41 to 43) to give Costain a competitive advantage and minimise transition risks. The Board approved a net zero target for the Group of 2045, following a review of the critical dependencies and detailed scenario analysis for meeting net zero emissions. We are confident that this revised target is ambitious, and where possible we will deliver earlier; for example, with Scope 1 and 2 which we are optimistic can be achieved by 2035. We also will be resubmitting our targets to the Science Based Targets Initiative (SBTi) in due course.

In August 2024, we were proud to be awarded the Green Economy Mark by the London Stock Exchange, recognising that more than 50% of our revenue in 2023 came from products and services that contribute to the global green economy. Costain is one of only around 100 corporations and funds that hold the Green Economy Mark, which represents around 6% of all entities listed on the exchange.

Applying sustainable procurement principles is optimising the value we provide for our customers, enhancing the social and environmental outcomes achieved from our work. In 2024 our contracts (including joint ventures) spent £650m with SMEs, representing 41% of their total spend, exceeding the UK Government target of 33%, and exceeding our FY23 performance of 38%.

## Chair's Statement continued

We continue to prioritise our community relationships, and the Considerate Constructor Scheme rated Costain contracts on average 46/50 (FY23: 45/50) exceeding the industry average of 41/50. This third-party industry assessment highlights the high standards expected of Costain contracts, confirming our position as an industry leader in responsible business.

### Our people

Our outstanding team is at the heart of everything that we do and essential to the success of our business. Our people strategy is focused on six key themes:

- Excellent leadership and line management role modelling of our values and behaviours, to motivate and engage our people.
- Having a diverse, inclusive, and thriving workforce.
- Creating high-performing, agile teams with a one-Costain ethos.
- Developing skills, capabilities, and talent now and for the future giving our people the opportunity to grow their careers at Costain.
- Ensuring our people feel valued, respected, recognised and appropriately rewarded.
- Valuing the health and wellbeing of our people and the safety of everyone working with us and around us, which is also one of our core values.

I am pleased to see improvements in areas where we have taken targeted action and that we have retained our Best Companies accreditation as a 'A Very Good Company to Work For' in our 2024 engagement survey. More details about these initiatives can be found in our case study on page 83.

In April 2024 we held a dedicated leadership impact day where all Costain offices and project teams collectively took time to create a safe space to talk about wellbeing. The day was focused on the wellbeing tools and resources available to our people and on discussing areas for improvement to ensure everyone can be at their best.

Also in April, we increased support for colleagues who are parents and carers, enhancing our maternity and adoption leave offerings to 26 weeks at full pay, paternity leave to eight weeks at full pay and introducing paid carers' leave. In recognition of the positive action Costain has taken over recent years on gender equality, in June we were listed as one of The Times Top 50 Employers for Gender Equality 2024.

One of our priorities is to develop our people and give them opportunities to grow their careers at Costain. We have developed a leadership framework that provides the blueprint for leadership at Costain and is being embedded into our people processes and development plans.

We continue to invest in the business and have introduced a new HR system to improve employee experience, enhance cybersecurity, and enable greater digital integration. The system was launched in Q4 24 following testing.

I was extremely impressed by the commitment and quality of our teams that I met at the sites I visited during 2024. I joined the teams at HS2 and Southern Water CMDP for Costain's impact days. In April, as noted above, we focussed on wellbeing, and in October our focus was on engagement and communication on safety, health and environment. I also enjoyed visiting and speaking to our dedicated and highly capable teams at SMA NEAR, Cadent and Heathrow, and I joined a Costain Connected event with the team members working with SCS JV on the HS2 project. The Board's workforce engagement activities are set out in more detail on pages 82 to 85.

The Board and I are highly appreciative of our people and would like to thank them for the work they do.

### Board evaluation and performance

During the year, our Board Performance Review was externally facilitated and we were delighted that the Report concluded that both the business and the Board were considerably stronger than at the time of the previous review. The Board discussed the report and identified areas for further improvement and details can be found on page 71.

### Pension and capital allocation

In June 2023, we reached an agreement with the Trustee of the Group's defined benefit pension scheme on the ongoing contributions to the Scheme. The agreed contributions from the Group to the Costain Pension Scheme run from 1 July 2023 to 31 March 2027 and is for a payment of £3.3m per year, payable in monthly instalments, scheduled to increase in line with inflation (CPI) each 1 April.

An assessment of the Scheme funding position was carried out on 31 March 2024 and, as the funding level (on a Technical Provisions basis) was more than 101%, contributions were not required from 1 July 2024 to 30 June 2025.

In addition to contributions not being required, as the funding level is above 101%, 'dividend parity' was also suspended for a year. Under the dividend parity arrangement, an additional matching contribution (the excess of the total dividend above the Scheme contribution) is paid to the Costain Pension Scheme when the total of the interim and final dividends (or other return of capital such as a buyback) is greater than the contributions paid into the Scheme in the previous Scheme financial year, which runs from 1 April to 31 March.

Due to moving into surplus, we had the flexibility to give additional returns to shareholders and having reviewed the Group's strong cash performance and ongoing capital requirements, the Board concluded in August 2024 that an on-market share buyback programme of £10m (excluding stamp duty and expenses) was appropriate and a value-enhancing use of cash. The buyback programme was completed in November 2024.

### Dividend

Given the Group's improved financial performance, net cash position and growth prospects, the Board is proposing a final dividend of 2.0p for the period to 31 December 2024, which represents 2.4p for the year, having declared an interim dividend of 0.4p per ordinary share for the six months ended 30 June 2023, representing a doubling of the full-year 2023 dividend.

### Board changes

As we announced on 12 March 2024, Bishoy Azmy stepped down from the Board with effect from 31 March 2024. We are very grateful for his considerable contribution and support to Costain since June 2020.

### Looking ahead

The Board would like to thank our people, customers and suppliers for their efforts and support during the year and their long-term commitment to the Group.

While we remain mindful of the near term macro-economic and geopolitical conditions, and their importance to Government priorities and the timing of spending, we are well positioned for further cash generation and earnings growth. We are increasingly confident in the Group's prospects, as reflected in the Board's proposal to double the FY24 dividend.

**Kate Rock**
Chair

10 March 2025

### Further reading

Operational Review / **pages 24 to 29**
Risk Management / **pages 50 to 55**
Climate metrics / **page 42**

### Supporting communities and apprentices

The communities we work with are an integral part of the projects we deliver, and in 2024 we launched our Social Value Plan, with a goal of improving a million lives by 2030. Much of the impact is achieved through our partnerships with more than 40 charities, social enterprises and schools, including the Samaritans.

In line with the strong growth we have already seen and expect in the future, we are increasing our early careers intake of apprentices, graduates and internships with more than 180 places available.

See our Focus on People / **pages 18 and 19**

Chief Executive Officer's Statement

# Delivering another strong performance.

"Our clear strategy of providing essential infrastructure to meet the UK's critical national needs, underpinned by strong operational performance, is delivering growth in the performance of the Group."

**Alex Vaughan**
Chief Executive Officer

| | |
|---|---|
| 2024 | £1,251.1m |
| 2023 | £1,332.0m |
| 2022 | £1,421.4m |

**Revenue**

£1,251.1m

| | |
|---|---|
| 2024 | £43.1m |
| 2023 | £40.1m |
| 2022 | £36.3m |

**Adjusted operating profit**[1]

£43.1m

| | |
|---|---|
| 2024 | 3.4% |
| 2023 | 3.0% |
| 2022 | 2.6% |

**Adjusted operating profit margin**[1]

3.4%

Another strong performance, with continued growth in adjusted operating profit[1] and margin, a record increase in our forward work position and a broadening of customer mix, demonstrating strong momentum in our chosen markets.

In 2024, we:

**Delivered further strong operational and financial performance:**

- Revenue of £1,251m (FY23: £1,332m) reflecting the timing of contract starts and completions, see pages 26 to 29 for more details.
- An adjusted operating profit[1] of £43.1m, up 7.5% on last year.[1]
- An improved adjusted operating margin[1] of 3.4%[1], an increase on last year's 3.0%. The margin in the second half of 2024 was 4.4%, exceeding our margin target of 3.5% run-rate during the course of 2024.
- A forward work position of £5.4bn, standing at more than four times 2024 revenue, as we continued to win key strategic contracts on long-term programmes.
- An adjusted earnings per share[1] growth of 19.7% from 12.2p in 2023 to 14.6p in 2024.
- An industry-leading Lost Time Injury Rate.

**Continued to strengthen our business:**

- We saw ongoing predictable contract performance, benefitting from strong risk management in work winning and contract delivery, which is discussed in more detail below.
- Further broadened our Tier 1 customer mix across our growth markets, with strong growth in Water and Rail.
- We are positioned well on primary investment programmes as we continue to diversify our business customers, and have already secured key contracts in all of our six sectors.

**Increased our returns to shareholders:**

- In H1 24, our pension scheme moved into actuarial surplus, allowing the Company to suspend payments to the scheme for a year. 'Dividend parity', discussed in more detail on page 7 was also removed, and this, combined with ongoing improved operational and financial performance, enabled us to announce a £10m buyback, which was completed in November 2024.
- We also propose an increase in the final dividend for 2024 from 0.8p to 2.0p, resulting in the dividend for FY24 increasing from 1.2p to 2.4p, a doubling year-on-year.

I'm grateful for the hard work and support of all our employees and partners during the year, both to deliver this progress and to navigate the challenging operating environment. Thank you.

## Our strategy

The Group is committed to delivering on its purpose to improve people's lives, and our vision remains to create connected, sustainable infrastructure enabling both people and the planet to thrive.

The medium-term priorities of the business are to be an admired company, growing in strong markets, with the benefit of a broader more resilient customer base, with predictable best in class delivery of its services and building a meaningful consultancy service line.

Through its focus on meeting critical national needs, the Group benefits from being strategically positioned in four key markets in which long-term critical investment continues to be made (Transport, Water, Energy and Defence) providing us with a strategic, diversified and resilient customer base.

Together with our customers, supply chain and partners, we are creating a more prosperous, resilient and decarbonised UK. The infrastructure we deliver drives economic growth, strengthens the ability to withstand extreme weather, energy shocks and threats to our national security, and supports the decarbonisation of the UK as well as a more biodiverse environment.

We have explicitly chosen to work with Tier 1 customers who wish to partner with a business such as ours to help them shape, create and deliver their business plan commitments and investment programmes, and to navigate the various challenges facing their businesses. We discuss our strategy and markets in more detail on pages 12 to 15.

We forecast long-term spending increases in our four chosen markets and significant long-term opportunities for the Group, with the water investment already announced expected to result in a doubling of investment during the upcoming regulatory period, AMP8.

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

## Chief Executive Officer's Statement continued

At the end of 2024, our forward work position, which is the combined order and preferred bidder books and is comparable to how other companies report in the sector, was £5.4bn at the end of FY24. This represents more than four times FY24 revenue, which is market-leading and bodes well for future revenue delivery. Our order book, where contracts are signed and ready to proceed, was £2.5bn (FY23: £2.1bn), and our preferred bidder book stood at £2.9bn (FY23: £1.8bn), see page 25 for further details. Looking to this year, we also have £950m of Group revenue secured for 2025, representing 80% of forecast revenue for the year.

### Our focus

We remain committed to operating with a clear focus on People, Planet and Performance.

**PEOPLE** – Ensuring safety, diversity, inclusion, and a positive social impact for our people and the communities we serve are key principles for the Group. Please see pages 18 to 19 for some examples of our work in this area.

We aim to:

- Keep everyone safe.
- Have our best team and expertise.
- Have strong community relationships.
- Create a positive social impact.

Safety is a core value of Costain. We are pleased to report that we ended 2024 with a strong health and safety performance, having continued our focus as a learning organisation by driving improvements through key leading indicators. These include workforce engagement and targeted assurance activities, which are contributing to our aim of eliminating harm across all our activities. We measure our safety performance through our lost time injury rate (LTIR) which for FY24 was 0.11 (FY23: 0.12). Our LTIR is defined as a ratio of the total number of lost time incidents (defined by the Health & Safety Executive) per every 100,000 hours worked.

We continue to work to address our gender and ethnicity pay gaps and enhance our inclusive culture. In recognition of our progress, we achieved Disability Confident Level 3 and were recognised as a Times Top 50 Employer for Gender Equality in 2024. Our Chair discusses our positive result for our engagement survey on page 67.

During the year, we produced Costain's first Group-wide social value plan, setting an objective to improve one million lives by 2030, and building on our purpose. To help us achieve this aim, we have invested in a new social value tool to support us in measuring our progress against this objective and enhance the digital capability we offer our customers.

In recognition of our consistent social value performance and value creation, our RDP North A1 Birtley to Coal House project won the 'Delivering Social Value' award at the National Highways Industry Awards. The judges noted that the category had a record-breaking number of extremely strong entries and that Costain stood out for the breadth and depth of social value activities delivered for, and with, the local community.

**PLANET** – Safeguarding the future of our planet is part of who we are and a critical requirement for our customers. We leave a positive legacy on all our projects. Please see pages 20 and 21 for some examples of our work in this area.

We are passionate about decarbonising our business and the solutions we develop for our customers. Absolute greenhouse gas (GHG) emissions (including Scope 3), is one of our key non-financial performance indicators (see page 31) and I am pleased to report that we have delivered another year-on-year emissions reduction (by 1%) and, when normalised by turnover ($tCO_2e$/£m), emissions reduced by 9% compared to our 2021 baseline.

We were pleased to secure verification from BSI against the PAS 2080:2023 standard, which recognised the updates to Costain's carbon management system and tools to improve emissions reductions. We utilise a carbon tracker, which standardises and improves emissions reporting across our projects, and this is being rolled out across the business, making it easier for our supply chain partners to accurately record and share their carbon emissions with us. It is expected that data shared by suppliers will be used to inform future project planning and provide vital insights to enable the reduction of Scope 3 emissions, which continues to be a key directive of the PAS 2080 standards and a priority for Costain.

In early 2024, we received confirmation of our near-term and net zero targets by the Science-Based Target Initiative. Since then, we have undertaken a detailed review of our transition pathway, and we will be re-submitting more ambitious targets for verification in alignment with Costain's carbon transition plan (see pages 41 to 43). For further information on our sustainability performance, please see pages 34 and 35.

**PERFORMANCE** – For us and our customers, ensuring predictable, best in class delivery on every project is non-negotiable for the Group. We discuss some examples of our achievements during the year on pages 22 and 23 and we cover our operational and financial performance in more detail on pages 24 to 29 and pages 46 to 49 respectively.

The key measures of our development as a business are:

- Financial performance.
- Customer wins.

We continue to operate strong risk management processes at pre-contract and contract stages, ensuring a robust operational performance. In addition, we have secured further opportunities with our customers, demonstrating our strategic progress. Our strategy provides for assured delivery, lower risk contracts in our orderbook, and a broader business mix.

We delivered good growth in our adjusted operating margin[1] during 2024, and we have performed well against our operational targets as outlined in March 2023:

- In H2 24, we had an adjusted operating margin[1] of 4.4%, exceeding our target of an adjusted operating margin run-rate of 3.5% to be achieved during the course of FY24, as we increased effectiveness within the business through the implementation of our Transformation programme, the growth of our consultancy services, increased effectiveness in procurement and ongoing focus on operating costs.
- We remain on track to deliver an adjusted operating margin[1] run-rate of 4.5% during the course of FY25, to be reached by improving margins within major capital programmes (construction contracts), further efficiencies from our Transformation programme, our operating excellence model and an increasing mix of higher-margin contracts.
- We continue to have an ambition for an adjusted operating margin[1] in excess of 5.0% as we grow the business.

We have made good progress in securing new work that demonstrates how we are working in deeper partnerships with our customers. During 2024 we have:

- Expanded our presence in Water, winning a series of major contracts including significant AMP8 agreements with:
  - Northumbrian Water, where we will shape and deliver its strategic infrastructure upgrade programme over a potential 12-year period.
  - Severn Trent Water, which will see us improve water and wastewater treatment infrastructure across its portfolio.
  - Southern Water, where we won a major AMP8 contract with our joint venture.
  - United Utilities, where we will work with other partners to deliver a £3bn programme to upgrade assets including water and wastewater treatment sites, pumping stations and reservoirs.
- Been confirmed as National Highways' partner for the next stage of the M60 Simister Island upgrade.
- Been selected by bp's Net Zero Teesside Power and Northern Endurance Partnership joint ventures to oversee the construction of a $CO_2$ gathering systems for carbon capture and storage, and by bp's H2Teesside to design a new hydrogen pipeline, both for the East Coast Cluster.
- Grown our rail consultancy with work on critical national programmes such as Northern Powerhouse Rail, Weather Resilience and R&D programmes.
- Been appointed by Transport for London (TfL) to progress refurbishment of critical pieces of transport infrastructure, and expanded our work with Heathrow.
- Won additional project management commissions for significant defence customers and new nuclear energy contracts.
- And lastly, in December we announced that we were awarded a major new contract by HS2 as a sole supplier to deliver tunnel and lineside mechanical and electrical systems, and that a Siemens Mobility and Costain joint venture was also the successful bidder to deliver high-voltage power supply systems for the project.

### Outlook

The successful execution of our strategy has delivered a record increase in our forward work position of £1.5bn to £5.4bn. This, together with growth on existing frameworks, gives us increasing visibility and confidence on delivering further progress in FY25 and FY26, with a step change in performance in FY27 and beyond. We have already secured approximately 80% of our forecast revenue for FY25 and our current levels of bidding activity remain high.

Having successfully completed our Transformation programme and delivered a robust 4.4% adjusted operating margin in H2 24, we remain on track to deliver an adjusted operating margin run-rate of 4.5% during the course of FY25, in line with our ambition to deliver margins in excess of 5.0%.

**Alex Vaughan**
Chief Executive Officer

10 March 2025

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

# Our Vision and Strategy

## Overview

Our vision is to create connected, sustainable infrastructure enabling people and the planet to thrive, which supports us in our purpose to improve people's lives. The strategy we've laid out below supports us and delivers against this vision, putting us at the forefront of meeting the UK's infrastructure needs with sustainable solutions. The outcomes from our work will improve the UK's sustainability by becoming more prosperous, resilient and decarbonised.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Purpose** | **Improving people's lives** | | | | | |
| **Vision** | **To create connected, sustainable infrastructure enabling people and the planet to thrive** | | | | | |
| **Sustainable future** | **A more prosperous UK** | | **A more resilient UK** | | **A decarbonised UK** | |
| **Strategic focus** | **Growth in strong markets** | **Predictable best in class delivery** | **A resilient customer mix** | **A meaningful consultancy service** | **To be an admired growing company** | |
| **Markets and Customers** | **Working strategically with Tier 1 customers to meet critical national needs** | | | | | |
| | **Transport** | | | **Natural Resources** | | |
| | Road | Rail | Integrated Transport | Water | Energy | Defence & Nuclear Energy |
| **Expertise** | **Major capital programmes & consultancy** | | | | | |
| | Engineering & Construction | Maintenance & Renewals | Advisory & Digital Solutions | Engineering & Design | Delivery Partner | |

## Our strategic focus

Our strategic focus is to be an organisation admired by all our stakeholders for how we operate, our sustainability credentials, and the performance we deliver. Operating profit growth is an important part of this, with a margin target of an adjusted operating profit[1] margin run-rate of 4.5% during the course of 2025, as well as our strong focus on creating a sustainable future.

Everything we do is rooted in delivery and organised around our customers. We continue to build strategic relationships with Tier 1 customers, forging long-term partnerships, which are supporting us to deliver against our growth ambitions, helping us build an increasingly resilient customer portfolio and further extend our service offering across the asset lifecycle.

We continue to identify and deliver improvements and standardisations to our approach to enhance productivity and drive predictable best in class delivery, building off the work we've already delivered in recent years through our transformation.

We discuss our progress against People, Planet and Performance areas in more detail on pages 10 to 11, and on pages 18 to 23.

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.



# Market Overview

We are strategically well positioned in our four key UK markets, where there is commitment to long-term investment in infrastructure: Transport, Water, Energy, and Defence. Within our Transportation division, we have three key sectors of operation: Road, Rail and Integrated Transport. The remaining sectors are managed through our Natural Resources division.

Policy, investment and regulation trends continue to reinforce our strategy, in terms of change in market needs and our need to focus on expert delivery, predictability and productivity. Further to the Second National Infrastructure Assessment (SNIA) recommendations (2023), the Government has expressed a desire to invest in infrastructure to drive growth and will be publishing their 10-year national infrastructure strategy alongside the spending review in June. Recent Government announcements, such as support for expansion plans at Heathrow airport and confirmation that HS2 will run to Euston, continue to reinforce this message.

Our approach puts us at the forefront of meeting this opportunity to create truly connected, sustainable infrastructure for the good of UK communities and to improve people's lives. We collaborate closely with government as well as our strategic partners, supply chain, and customers in each of our markets to shape the future of infrastructure delivery.

### Strategic investment programmes – infrastructure spend[1]

| | Committed investment | Investment period | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|
| **National Highways** | £27bn | 2020–2025 | RIS2 | RIS3 | | | | |
| **High Speed Rail** | £45–54bn | 2018–2030 | Phase 1 (London–West Midlands) | | | | | |
| **Integrated Rail Plan** | £54bn | 2022–2050 | IRP | | | | | |
| **Network Rail** | £43bn | 2024–2029 | CP7 | | | | | CP8 |
| **Local and regional transport** | c£20bn | 2022–2032 | City Regional Sustainable Transport Settlements (CRSTS) | | | | | |
| | c£8bn | 2023–2026 | TfL 2024 Business Plan | | | | | |
| **Aviation** | £8bn+ | 2022–2030 | Airport expansion | | | | | |
| **Water** | £104bn | 2025–2030 | AMP7 | AMP8 | | | | |
| **Energy** | £12bn | 2020–2030 | 10-Point Plan | | | | | |
| | £30bn | 2021–2031 | RIIO-2 | RIIO-3 | | | | |
| | £23bn | 2023–2028 | RIIO-ED2 (Electricity Distribution) | | | RIIO-ED3 | | |
| **Defence** | £289bn | 2023–2028 | Defence Equipment Plan | | | | | |
| | £27bn | 2024–2029 | Defence Infrastructure Organisation | | | | | |
| **Nuclear** | £12bn | 2024–2027 | NDA* | | | | | |
| | c£20bn | 2025–2035 | Sizewell C[2] | | | | | |

* NDA – Nuclear Decommissioning Authority

1 These investment plans are not all addressable by Costain and there are market opportunities which do not fall under these investment plans available to the Group. The estimates are as of 31 December 2024.

2 Final Investment Decision (FID) is expected later in 2025.

We estimate that the total annualised market spend for infrastructure in the UK is approximately £70bn per year across all the markets during the period outlined above, with a c.30% increase from 2024 to 2030 driven by new customer spending cycles.

Market Overview continued

# Transportation sectors

## Road

National Highways is coming to the end of its £27bn Road Investment Strategy 2 (RIS2) programme, delivering upgrades across the strategic road network. The upcoming Road Investment Strategy 3 (RIS3) programme (2025–2030) is expected to have an increased focus on renewals, maintenance, and smaller improvement schemes, as well as continuing to deliver on the RIS2 imperatives. Our focus is on supporting National Highways through this to improve the resilience, environmental impact and connectivity of the network.

We expect investment in the local road network in the UK to match that of the strategic road network between 2025 and 2030 through various local and central government funding allocations, such as the City Regional Sustainable Transport Settlements (CRSTS).

There will be a focus on renewal and maintenance of the existing road network for local and regional authorities, working in greater partnership with National Highways.

**Road committed spend**

£27bn

## Rail

The medium to long-term investment outlook for rail in the UK remains positive, with the SNIA (October 2023) recommending that spend on rail enhancements increases to an average of almost £10bn per year for the next 10 years to drive prosperity across regions in the UK. There is also expected to be an increase in spend on renewals and maintenance to ensure the rail network is resilient to climate change impacts. We continue to work with Network Rail and our partners to shape the future of rail infrastructure in the UK.

A core part of the delivery of this investment comes through Network Rail who have started delivery of a £43bn investment programme in CP7 (control period) between 2024 and 2029, focusing on improving the efficiency, environmental impact and resilience of the rail network. In addition, there is an expected HS2 spend of £45bn–£54bn across its investment cycle, including confirmation in the latest budget that the line will continue to Euston, while investment in local and urban rail is also expected to increase as regional mayors are given greater power over developing the rail network in their region.

**Rail committed spend**

£142bn+

## Integrated Transport

Investment is increasingly being decentralised, with the new Government continuing the devolution of powers to regional authorities, giving mayors the powers to create unified and integrated transport systems. The English Devolution White Paper (December 2024) announced plans to give mayors greater authority over transport investment, bringing decision-making closer to local communities thereby helping drive prosperity across the UK.

Decarbonising local transport networks remains a big driver, with active travel and low-carbon mass transit options a focus for investment. Spending is delivered through a range of funding streams including the CRSTS, which has committed c.£20bn for sustainable transport in city regions until 2032 and a further £2bn to continue the delivery of West Yorkshire Mass Transit. In the long-term, the SNIA forecasts that the share of transport investment on urban transport will increase from around 40% today to 50% in the 2040s.

Airports and ports remain central to a fully integrated transport solution by connecting urban centres in the UK internationally. The volume of airport passenger numbers in 2024 broke new records, which, alongside the need to meet the decarbonisation challenge and improve the resilience of existing assets, is driving investment and infrastructure expansion plans at most UK airports. Similarly, investment in the development of ports is seen as a key enabler to attracting investment to the UK and delivering energy transition.

**Integrated Transport committed spend**

£36bn+



# Natural Resources sectors

## Water

The UK water sector is entering a transformative period for the AMP8 investment cycle (2025–2030), with Ofwat's 2024 Price Review Final Determinations outlining a landmark £104bn investment programme. The AMP8 programme aims to address new regulatory requirements, upgrade critical assets and improve water quality.

The price review includes a significant investment in drought resilience, with £50bn allocated for the largest programme of water supply projects in decades. A £2bn development fund will kickstart the Strategic Resource Options (SRO) portfolio of 30 major infrastructure projects, which include nine new reservoirs and nine large-scale water transfer schemes designed to enhance drought resilience by ensuring there is enough water to meet the daily needs of approximately one-third of the population in England and Wales.

**Water committed spend**

£104bn

## Energy

The transition to clean, sustainable energy remains central to the UK's commitment to be net zero by 2050, and recent Government backing of Carbon Capture, Utilisation and Storage (CCUS) schemes in Teesside, which enabled investment in the UK's first carbon capture and storage projects reinforces the momentum in this space. The RIIO-T3 Business Plan published by National Grid has unveiled an unprecedented plan to invest up to £35bn in the UK's electricity transmission network from 2026 to 2031, to double the grid's transmission capacity, facilitating the integration of renewable energy sources. Hydrocarbons (oil and gas) will continue to play a key part in the UK's energy security strategy and the establishment of GB Energy headquartered in Aberdeen signals a positive outlook.

**Energy committed spend**

£65bn

## Defence and Nuclear Energy

The UK's defence budget is set to grow from £56.9bn in 2024/25 to £59.8bn in 2025/26 reaching a Government committed target of 2.5% of GDP by 2030. This growth supports next-generation capabilities, infrastructure and the Continuous-At-Sea Deterrent (CASD) programme, which delivers the UK's independent nuclear deterrent. Costain continues to play a key role in delivering complex infrastructure solutions for Defence clients (including both primary and arms-length bodies), leveraging our engineering, advisory, and delivery capabilities to address the sector's most demanding challenges.

The Civil Nuclear Energy roadmap outlines plans to scale nuclear generation to 24 GW by 2050, meeting 25% of UK electricity demand, with significant preparatory investments already underway for delivery of new large-scale nuclear reactors such as Sizewell C (Final Investment Decision (FID) anticipated in 2025). It also includes the exploration of Small Modular Reactors (SMRs), which are advancing through investment/technology selection stages in support of flexible and scalable energy production. In February 2025, the UK Government announced plans to lift planning restrictions on nuclear sites and establish a regulatory taskforce to accelerate the deployment of SMRs.

**Defence and Nuclear Energy committed spend**

£348bn

## Our Business Model

# Our expert offering enhances value across the asset lifecycle.

In line with the priorities of the National Infrastructure Commission's Second National Infrastructure Assessment, the Government's five Missions and outline 10-year Infrastructure Strategy, we are strategically well positioned in our four chosen markets of Transport, Water, Energy and Defence. These markets are essential to ensuring the UK has the infrastructure to meet our critical national needs for increased prosperity, national resilience and a decarbonised UK.

## Our Services

As construction and consulting partners, we bring together a mix of experts to engineer solutions to the most complex infrastructure problems. 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 have specifically chosen to work with Tier 1 customers who wish to collaborate to shape, create and deliver their business plan commitments and investment programmes, and those that operate, maintain and optimise infrastructure through its operational life and into deconstruction and decommissioning.

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

Our work is underpinned by our Environmental, Social and Governance (ESG) goals, as operating responsibly and with integrity is a key part of our strategy. We discuss our work in action on pages 18 to 23.

We outline our forward work position in more detail on page 25 and discuss the development of our three areas of consultancy on page 49.

### Costain expertise across the asset lifecycle

**Shape and Create**

We use our construction and engineering expertise to design the right approach

Concept and Analysis | Solution Design

**Deliver**

We create sustainable projects with carbon, social value and nature at the core of our approach

Procure | Construct and Install | Commission

**Operate and Optimise**

We help operate, maintain and optimise infrastructure, and provide advice on deconstruction and decommissioning

Operate | Maintain and Renew | Optimise | Strategy and Delivery

Engineering and Construction

Maintenance and Renewals

**Consultancy**

Delivery Partner

Engineering and Design

Advisory and Digital Solutions

Purpose in Action

# Together we succeed

# People

## Our commitment is to make Costain a safe, great and inclusive place to work. We're creating a sustainable future, with a positive, lasting legacy for our people and the communities we support, with our team of experts delivering a more prosperous, resilient and decarbonised UK.

### Safety

Safety is a core value at Costain and we aim to eliminate harm across all of our activities. We saw another strong safety performance in 2024 with our Accident Frequency Rate hitting its joint lowest level ever, and our Lost Time Injury Rate and High Potential Event Frequency Rate both reaching their second lowest ever scores. This was achieved with more than 30 million hours worked across more than 170 project sites. Part of the key to our safety performance is engagement; we know an engaged workforce is a safer workforce and for nearly a decade we have been increasing engagement with our projects and driving down incidents.

### Supporting communities

The communities we work with are an integral part of the projects we deliver, and in 2024 we launched our Social Value Plan, with a goal of improving one million lives by 2030. Much of the impact is achieved through our partnerships with more than 40 charities, social enterprises and schools, including the Samaritans, The King's Trust and Business in the Community, but there are localised projects too.

As discussed on page 10, we are also rolling out a social value tool to help delivery teams consistently measure and improve their positive social impact.

In the north of England, the team delivering the A1 Birtley to Coal House scheme has engaged with more than 35,000 students, supported 153 work experience weeks and welcomed 21 apprentices and graduates, helping to boost skills and leave a lasting positive legacy. In recognition of this, the team won a significant award as discussed by our CEO on page 10. The same team also supported a local primary school by creating a new community garden, and students from the school were invited to officially open the project's North Dene Footbridge, building collaborative relationships with the youngest members of society.

On the west coast, along with our partners at Sellafield, we refurbished a local youth centre, providing a safe and fun space for local young people and the wider community to enjoy. In London, our A40 team transformed a former nightclub into a bright and welcoming community hub, and on our A30 project we coordinated a fundraising effort for the county's air ambulance, as well as supporting the provision of STEM activities to local students and appointing local apprentices to the scheme.

We also take our responsibility to support local businesses seriously. We regularly host free events to help prospective supply chain participants get involved in infrastructure projects around the UK, enabling them to take advantage of the potential opportunities on offer and support a more prosperous UK.

### Ensuring the best team

As our chair notes on page 6, our people are at the heart of everything we do, with great importance placed on their personal and professional growth as evidenced by two new development programmes. The leadership programme strengthens leadership capabilities and supports our senior talent pipeline, while our front-line supervisors programme takes talent in operative roles, often from underrepresented groups, and helps them transition into supervisory roles. We encourage professional development at all stages of our people's careers, and cover the full cost of professional development charterships which means people 'earn and learn' whilst developing transferable skills. This sets both them and the Company up for success and they can act as mentors to others.

This is supported by our new HR system which has greatly improved data quality and transparency, allowing us to better support career development. It also enables us to streamline and automate processes, making us more efficient, and supports future growth through improved workforce planning (further details on page 81).

And we listen to our people to understand what we do well and where we can improve, using employee networks, Your Voice forum and our annual engagement survey, where we maintained our rating as a 'very good' company to work for after receiving a record response. We go into more detail on page 83.

### Future talent

In line with the strong growth we've already seen and expect in the future, we're increasing our early careers intake of apprentices, graduates and internships with more than 180 places available. We're offering a variety of roles across multiple sectors, and for the second year running, have received Platinum status with The 5% Club for our investment into early careers. This drive for the best talent will support Costain's success for decades to come, and we'll continue to develop them throughout their time with us. You can find more detail on our talent pipeline and investment in people on pages 84 and 85.

### Inclusive employment

2024 saw us continue the success of our Empower programme, which supports women to progress into senior roles, and we were named in The Times Top 50 Employers for Gender Equality. We were recognised as taking a proactive approach to tackling inequalities in the workplace with actions including greater transparency around job grades, rewards and benefits, and a new career-path framework which offers more visibility around growing a career.

Gender equality was also a key focus when we made significant improvements to our parental leave policy, including enhanced paternity leave. Some of our people have long-term caring responsibilities so we also introduced enhanced carers' leave, giving them up to five days' paid leave a year to look after their loved ones.

Inclusion was at the heart of a project with the Royal Academy of Engineering looking at how those with a personality preference for introversion or extroversion perceived their treatment and opportunities. This has enabled leaders to increase inclusion, and helped drive wider understanding across Costain.

And our commitment to equity was recognised with our validation as a Disability Confident Leader by the Business Disability Forum. We were praised for having a forward-thinking approach to inclusivity and for making impactful steps to foster disability inclusion within the organisation.

### Awarded for performance

Excellence from our people has led to a number of awards. Alongside EDF (UK) we were named the Global Project Controls Consultancy of the Year, while one of our apprentices was crowned UK Project Controls Apprentice of the Year. One of our engineers also won the British Tunnelling Society 2024 Harding Prize, which celebrates young tunnelling engineers, and, as part of the SMP Alliance, we won the 'Impact in Roads' category at this year's New Civil Engineer Awards.

A vital part of our future growth is our relationship with our suppliers, and we were awarded the CIPS Procurement Excellence Standard in recognition of our fair payment practices. On the A40 we were given an Excellent rating by the Considerate Constructors Scheme, mitigating the impact of our works by liaising with TfL's maintenance contractor to carry out works simultaneously, minimise road closures, and share site compounds. The M6 J21a-26 team also won a Gold Considerate Constructors Award at the National Site Awards.

And our relentless focus on safety was recognised by The Royal Society for the Prevention of Accidents with our Energy and Defence teams awarded the Patron's award – the highest possible accolade – after achieving 33 consecutive Gold awards.

Purpose in Action

# Together we care Planet

## We're creating a decarbonised UK through energy transition solutions alongside increased biodiversity and a cleaner environment. Creating a sustainable future is simply part of who we are.

### Energy transition pioneers

We are at the forefront of the energy transition with expertise in both carbon capture and hydrogen. On Teesside, we completed the front-end engineering design (FEED) for the East Coast Cluster's onshore $CO_2$ gathering network, which will have an initial capacity to transport around 4m tonnes of $CO_2$ a year for storage under the North Sea. We were then selected by Net Zero Teesside Power (NZT Power) and the Northern Endurance Partnership (NEP), both joint ventures operated by bp, as specialist partners for this landmark scheme. NZT Power aims to be the world's first commercial scale gas-fired power station with carbon capture technology and Costain will execute the detailed design of the carbon capture network before managing its procurement and construction.

We have also been awarded a multimillion-pound FEED contract by bp for the new hydrogen pipeline network in Teesside. The network will deliver purified and dehydrated hydrogen to industrial end users, with the aim of replacing natural gas consumption, establishing the hydrogen economy and enabling decarbonisation across the region.

Our expertise in energy transition is also why we were selected by Wales & West Utilities (WWU) to lead a study exploring how hydrogen refuelling stations can be integrated into the UK's existing gas network. It will consider hydrogen as an alternative for heavy-duty vehicles and we're also helping WWU to support its industrial and commercial gas users to switch to low carbon solutions like hydrogen.

The energy transition also needs substantial investment in connectivity. We are well placed to support this upgrade of the UK's energy transmission network through our in-house engineering and delivery capabilities, and were accepted to a new National Grid framework in autumn 2024. We anticipate supporting on a range of vital high-voltage projects in the coming years.

### Driving decarbonisation

The move towards net zero is at the heart of many of our projects, such as our leading involvement in HS2, which is being designed and built to be the most sustainable high-speed rail network in the world, with the trains powered by zero carbon energy from day one (more detail on that project in the following section on Performance). It also features in our detailed design and construction of a traffic-free bridge over the A30 just outside Truro. The Chiverton bridge provides a safe crossing point for pedestrians, cyclists and horse riders, boosting local connectivity and encouraging carbon-free journey choices. We saved around 200 tonnes of $CO_2$ on the project, a 30% reduction compared with the concept design, and achieved a BREEAM Excellent rating for the commitment to sustainability.

Our new head office was also selected with net zero in mind. The building has the highest energy efficiency certification, space for more than 300 bicycles, is accessible from mainline transport hubs and was awarded a Gold rating by RICS in recognition of its environmental performance.

As part of our drive to lower emissions, we completed one of the UK construction sector's first pilots to test the use of electric vans on major project sites. We also trialled a new method for managing waste from industrial cooling by compressing it, making it easier and safer to handle whilst lowering transportation demand and emissions by as much as 70%.

Of course, the drive to net zero needs robust data, and we successfully trialled a carbon tracker to improve reporting. This captures emissions from across the supply chain with 'hotspots' of high emissions highlighted to enable project managers to drive greater reductions. As noted by our CEO on page 10, our approach to decarbonising infrastructure has been verified to the leading PAS 2080 standard.

We also achieved Gold status in the Supply Chain Sustainability School's Plant Charter, building on our previous Silver status, and strengthened our sustainability engineering team to drive excellence in low carbon and nature-based solutions.

### Positive biodiversity

We directly target increased biodiversity through our nature positive approach. On the A30, where, together with the A1, we tackled a congestion and pollution blackspot, survey work identified potential disruption to bat habitats, so we built a specially constructed bat barn. Lesser horseshoe bats are already roosting in the barn, which was constructed with locally sourced Cornish stone and slate. And the Chiverton Bridge referenced above was accompanied by new habitats which will mean a nearly 220% Biodiversity Net Gain.

The A30 work was carefully planned to protect the ecology of the area, and a total of 33 multi-species crossing points were constructed to assist the habitats and journeys of animals such as bats, otters, badgers and reptiles. 150,000 trees have been planted, and an additional 4.5 hectares of new woodland created.

On our joint venture with MWH Treatment, we successfully installed Europe's largest inlet screens as part of the upgrade works at Southern Water's Horsham Wastewater Treatment Works. The project will help protect the River Arun for years to come and offer habitat enhancements with a 9% gain in biodiversity.

### Environmental enhancement

Our leading position in the water sector (more detail in the Performance section overleaf) means we are already having a large, positive impact on the cleanliness of the UK's rivers, and will continue to do so for many decades. On Thames Tideway, London's new super sewer, our joint venture team in the eastern section have worked to bring it into operation and protect the river from sewage overflows; the final shaft wall has been removed, a 1,200-tonne concrete lid safely lifted onto a 70-metre-deep shaft, and the tunnel is now connected.

Our work with communities often ties in with our environmental goals; as part of our work on the M6 upgrade, we've created a water run-off system at a community garden in Eccles which will capture 20,000 litres of water each year and make the garden self-sufficient for the watering of plants. The garden offers educational workshops for local residents and schools, further increasing the benefits to the local community.

Of course, in many parts of the UK the effects of climate change are already being felt. We've continued to advise and support Network Rail with its weather resilience programme, which uses data to identify targeted interventions to improve the safety of our rail network.

And we received prestigious recognition for our approach when we obtained the London Stock Exchange's Green Economy Mark. This identifies companies that generate at least half of their revenue from products and services that contribute to the green economy. The Mark is only held by around 6% of companies on the London Stock Exchange.

Purpose in Action

# Together we deliver Performance


We're creating a more prosperous UK with improved productivity and greater resilience. Strong financial performance, with a relentless focus on winning new work and predictable best in class delivery, are all vital parts of creating a sustainable future.

## Increased forward work

We give more details of our strong financial performance in the previous sections, including the significant growth in our forward work across our sectors. We've already been supporting our water sector customers with their Asset Management Period 7 (AMP7) projects, helping major customers hit all of their project regulatory commitments due in 2024, and we're on schedule to deliver against commitments in 2025, too. This high performance, and our collaborative approach, has been recognised with significant new contracts in 2024. Northumbrian Water has appointed us to shape and deliver its strategic infrastructure upgrade programme during AMP8, including the design and construction of new water and wastewater treatment programmes and projects.

We've been asked by Thames Water to upgrade strategic treatment assets which will improve the ability to treat increasing volumes of sewage, and to support with the design of a new reservoir in Oxfordshire, as well as with the delivery of AMP8 upgrades.

United Utilities have appointed us to help deliver its strategic investment programme and we also continue as their Managed Service Provider. We're supporting Yorkshire Water with their health and safety, environmental and technical assurance, and with Southern Water, we're improving the resilience of the local water supply and upgrading wastewater treatment works. We're also shaping and delivering Southern Water's strategic asset upgrade programme, continuing our long-standing relationship with them as well as with Anglian Water, where the Strategic Pipeline Alliance has reached the halfway point for pipelaying.

In late 2024, our performance and expertise on HS2 was recognised when we were awarded two substantial new contracts to deliver mechanical, electrical and high-voltage power systems for the new line. We also continue to expand our portfolio of consultancy work for Network Rail and DfT through our framework contracts. These include being a key partner to protect the rail network from extreme weather (as referenced in the Planet section above) and working with Network Rail to improve train safety and performance.

We significantly increased the volume of our work at Heathrow as we support the UK's biggest airport with its asset renewal and construction projects through the H7 framework. We also continue to support other aviation customers at East Midlands, Gatwick, Manchester and Stansted airports.

And we were appointed by TfL to progress major refurbishment projects at Gallows Corner and Brent Cross which will ease congestion and improve the safety, reliability and quality of passenger journeys. We also commenced the next phase of delivery work on the A40 Westway and continue to support TfL's CCTV service. In Yorkshire and the North East we're carrying out a 15-year programme on the road network, including responses to severe weather, and we are also supporting Bradford Metropolitan District Council in the development of their local infrastructure plan.

## Best in class delivery

We're continuously finding new ways to drive efficiencies for our customers, saving them time and money. As mentioned in the Planet section above, we successfully delivered a new stretch of A30 dual carriageway in Cornwall; this has significantly reduced congestion, particularly during the peak tourist season, improving journey time and reliability for local residents, businesses and those visiting the area. Despite the pandemic and an unprecedented number of Met Office-classified storms, three new bridges, ten new underpasses and underbridges, and more than 2.6 million cubic metres of earthworks were successfully completed. We also safely dismantled the Tolgroggan bridge and removed the old 'Chivvy' roundabout, Cornwall's worst accident black-spot.

We also improved the lives of motorists using the M6, with an extra lane in both directions successfully progressing to full 70mph operations, providing extra capacity, reducing congestion, improving travel times and making journeys more reliable for the estimated 120,000 vehicles that use the route each day. The project has introduced safety enhancements, including stopped vehicle detection which uses radar technology to alert the control centre.

In water, at our Severn Trent Spernal works, we constructed the pump station using in-house resource with pre-cast segments; this was quicker and safer, and saved 40% versus contractor prices. Whilst in the East of England, where we're replacing approximately 340km of gas main each year for Cadent, we passed the year's target more than a month ahead of schedule. This performance was recognised with our contract extended by three years.

At Heathrow, we recently completed the dismantling of Starlight Point, which supported the building of Terminal 2, removing all 307 modules intact and allowing them to be repurposed for future use whilst ensuring no disruption to airport operations.

On HS2, we've successfully completed the western section of the Copthall Green Tunnel. Our innovative 'roof traveller' created a temporary deck to support the construction of the concrete roof, before being lowered and moved to the next section. This only needed four people to operate, saving nearly £5m, and offered considerable safety benefits, cutting the number of working-at-height hours by 90,000.

And at HS2 South Ruislip, the team used offsite fabrication to install the first riser in three days instead of four to six weeks, improving safety with 6,000 hours removed from site and an £8m saving, whilst at West Ruislip the team adopted offsite manufacturing for drainage solutions, which is expected to generate 40% cost savings.

We're also helping drive productivity for the UK as a whole. A study we carried out for the Department for Transport estimates the greater adoption of connected and autonomous plant could add £417bn to the UK economy by 2050, and we helped to enhance UK border infrastructure, assisting the successful delivery of the £200m Port Infrastructure Fund project.

## Shaping the future

Our harnessing of technological innovation is a key part of driving value for our customers. In the Water sector, where we have won a significant amount of new work as detailed above, the scale of AMP8 investment will see companies need to evaluate ever-more complex sets of data. We're helping Northumbrian Water tackle this problem by developing a platform which is expected to reduce the need for wastewater works managers to repeatedly provide and analyse operational data, reducing time spent on data entry which can be almost half of the working week.

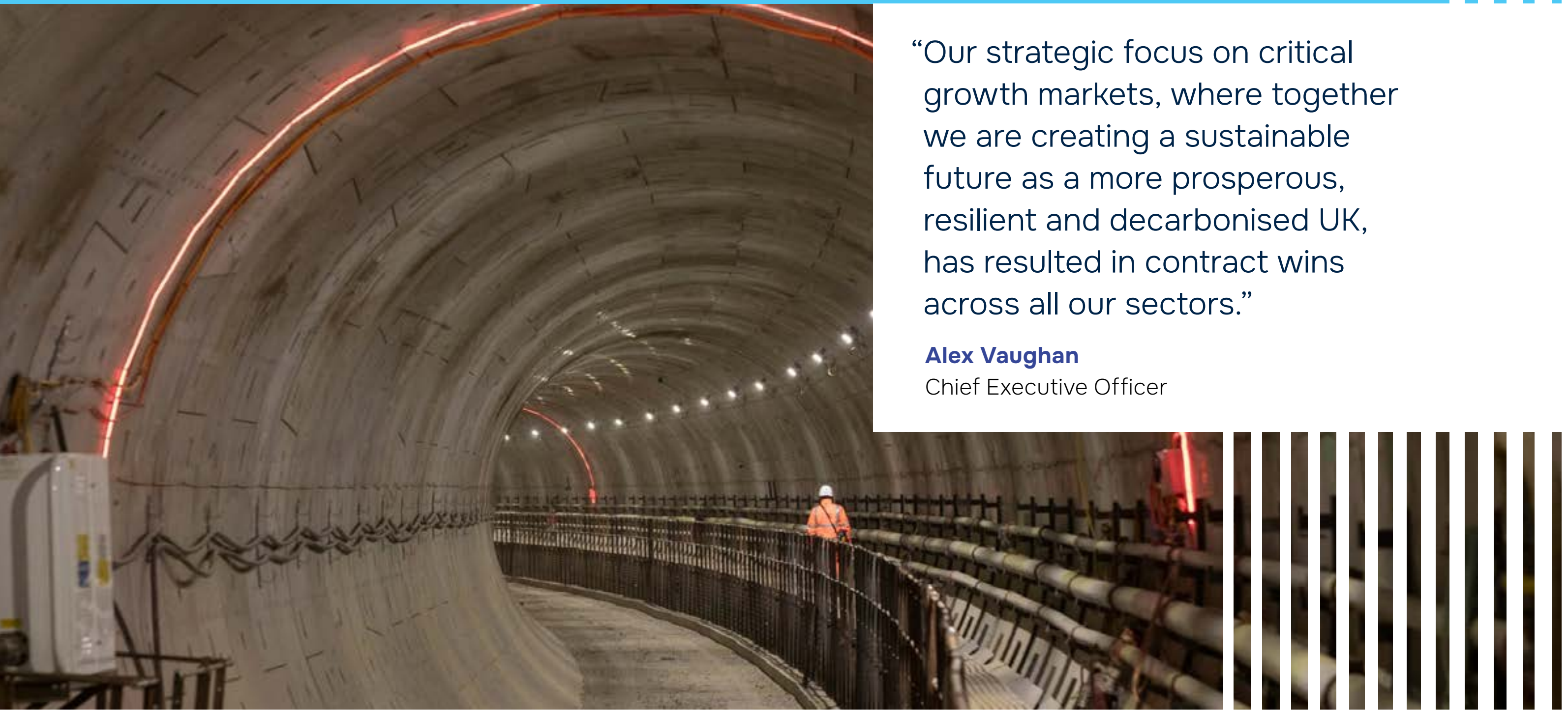
We've also been using technology to solve problems for National Highways. On the M60 Simister Island upgrade, which will create more reliable and safer journeys into and around Greater Manchester, we're developing an innovative modular viaduct which will minimise disruption to the local community during construction. On the M6 we optimised traffic management, resulting in 2,100 fewer delayed journeys, whilst also improving user experiences by analysing more than a quarter of a million pieces of customer feedback.

We have also used technology to make concrete pours more efficient and environmentally friendly. Usually these are tested by removing samples; instead, our engineers used sensors to track the strength of setting concrete. This reduced the time that formwork was in place by a third, with one project avoiding the destructive testing of 500 samples.

And we've helped develop the first robotic solution to install mechanical and civil services in tunnels. The system can select brackets, locate where they need to be mounted and install them. It reduces safety risks, increases productivity by 40%, reduces costs by 30%, and cuts plant movements by 40%, decreasing emissions. We've also helped develop a real-time digital assurance system to offer a fully automated solution.

Operational Review

# We are creating a sustainable future through the delivery of infrastructure.



"Our strategic focus on critical growth markets, where together we are creating a sustainable future as a more prosperous, resilient and decarbonised UK, has resulted in contract wins across all our sectors."

**Alex Vaughan**
Chief Executive Officer

We are continuing to perform strongly and have good momentum, including increasing both our margins and our forward work position, creating a more resilient, broader customer mix and continuing to grow our consultancy services.

We have delivered a 7.5% increase in adjusted operating profit[1] with a £5.4bn forward work position in the year.

Within our chosen markets we work with a growing number of Tier 1 customers who choose to work with their partners on strategic five-to-ten-year programmes of work, aligned to us meeting their five-year business plan outcomes. The strategic nature of these contracts allows us to build strong, long-lasting, valued relationships; to broaden our service value and for us to maintain consistency and continuity of workflows over the business plan period. Both ensure a good quality of work, service and an optimal risk profile.

Reported revenue was £1,251.1m in FY24 (FY23: £1,332.0m). There was an increase in Natural Resources revenue in all three sectors, Water, Defence and Nuclear Energy, and Energy. In Transportation, as expected, we saw reductions in Road volumes, due to the completion and delays of certain projects, and in Rail due to the successful completion of our main works at Gatwick Station. We had increased revenue in Integrated Transport including growth in our Heathrow H7 contract and new contracts with TfL.

Adjusted operating profit[1] grew by 7.5% to £43.1m (FY23: £40.1m) and the adjusted operating margin[1] increased to 3.4% (FY23: 3.0%), driven mainly by the improved performance in Transportation resulting from a better margin mix derived from newer contracts, and increased margin in Natural Resources, which has a greater mix of consultancy services. We discuss our revenue from consultancy services on page 49.

Reported operating profit increased to £31.1m (FY23: £26.8m).

Net finance income was £5.4m (FY23: £4.1m), driven by higher interest income from bank deposits and lower bank charges.

Adjusted profit before tax[1] increased 9.7% to £48.5m (FY23: £44.2m), with adjusted basic earnings per share[1] (EPS) up by 19.7% at 14.6p (FY23: 12.2p). Reported profit before tax was up 18.1% at £36.5m (FY23: £30.9m), while reported basic earnings per share (EPS) was up 39.5% at 11.3p (FY23: 8.1p).

| Year | Revenue |
|---|---|
| 2024 | £1,251.1m |
| 2023 | £1,332.0m |
| 2022 | £1,421.4m |

**Revenue**

£1,251.1m

| Year | Adjusted operating profit |
|---|---|
| 2024 | £43.1m |
| 2023 | £40.1m |
| 2022 | £36.3m |

**Adjusted operating profit[1]**

£43.1m

| Year | Adjusted operating profit margin |
|---|---|
| 2024 | 3.4% |
| 2023 | 3.0% |
| 2022 | 2.6% |

**Adjusted operating profit margin[1]**

3.4%

## Cashflow and liquidity

Our net cash position at the end of FY24 was £158.5m (FY23: £164.4m) which included the costs of our £10m share buyback programme which concluded in November 2024.

We expect our FY25 year end net cash position to be in line with current market expectations of around £180m, as the underlying net free cash flow from the business is expected to benefit from positive working capital timings during the year, offset by the unwinding of £25m of positive working capital timing benefits accumulated since the end of FY22, as previously reported.

Cash from operations in FY24 was £41.7m (FY23: £69.6m), resulting from increased adjusted operating profits offset by year-end timings of certain cash receipts at the end of year FY23 and FY24, together with some end of contract cash outflows in FY24.

Adjusted free cash flow in FY24 of £27.1m (FY23: £72.0m) was lower than in the same period last year largely due to the timing of year-end working capital and higher tax and capital expenditure payments as we invest in new systems and higher cash flows on adjusting items, partially offset by lower pension deficit contributions.

During FY24 we paid 98% of invoices within 60 days (FY23: 98%). In January 2025 Costain was re-confirmed as one of the fastest-paying lead contractors in construction on an average days-to-pay basis following the submissions to the Government's Duty to Report on Payment Practices and Performance.

## Business model resilience

Costain enjoys good forward visibility with a strong high quality forward work position. Our forward work position, which is our combined order book and preferred bidder book, stood at £5.4bn at period end (H1 24: £4.3bn; FY23: £3.9bn), representing more than four times our FY24 revenue.

The quality of this forward work reflects the nature of the work being long-term programmes, with no single stage lump sum contracts, and predominated by target cost contracts where the scope of work, design and cost are developed and agreed with the client.

Our order book stood at £2.5bn at period end (FY23: £2.1bn; H1 24: £1.8bn). The order book evolves as contracts progress and as new contracts are added at periods aligned to our customers' strategic procurement windows, which are typically every five years. The order book does not therefore provide a complete picture of the Group's potential future revenue expectations.

We have a continuing shift towards the preferred bidder book away from the order book as we continue to secure long-term (five-to-ten-year) framework positions with our customers, especially in the water sector, providing a reliable and long-term stream of future work.

The preferred bidder book increased to £2.9bn at period end (FY23: £1.8bn; H1 24: £2.5bn) and includes contracts in Water, Rail, Energy, Defence and Nuclear Energy, Road and Integrated Transport, including Heathrow. The preferred bidder book comprises contracts for which we have been selected on frameworks where a further works order is required prior to the works commencing.

We note that some of our framework and consulting revenue is not recorded in our order book, or preferred bidder book, as it is undefined and is expected to represent an increasing proportion of our future revenue.

We have around £950m of secured Group revenue for FY25 at the end of the year, representing approximately 80% of market forecast revenue for the period.

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

Operational Review continued

# Transportation saw an increase in operating profit and margin.

"The division saw an increase in operating profit and margins against the backdrop of lower revenue due to delays and completion of a contract in Road."

**Jonathan Willcock**
Managing Director of Transportation

## Transportation

Our revenue in FY24 was mainly from a number of complex project delivery schemes for HS2 and National Highways. We are transitioning towards a better-balanced portfolio, benefitting from activities in Rail, Road, Aviation and Local Government. As expected, revenue of £845.8m was down 10.3%, reflecting lower volumes in Road due to the completion of some contracts and delays to the start of a new contract, and in Rail due to the completion of our main works for Gatwick Station. We saw increased revenue in Integrated Transport due to our expanding work at Heathrow and with TfL.

**Road** revenue declined by 23.1% in FY24 compared with the prior year, as expected, driven by a reduction in schemes revenue as they near completion. As a strategic partner for National Highways, we support their key investment programmes through the Regional Delivery Partnerships (RDP) major projects frameworks, the Smart Motorways Programme (SMP) Alliance, the SPaTs2 consultancy framework, and Area 14 highway maintenance.

On RDP, in Cornwall we opened to traffic the widened A30 dual carriageway between Chiverton and Carland Cross on schedule. The upgrade to the A1 around Newcastle progressed well with opening to traffic of the new Birtley to Coal House section in December 2024. As previously indicated, during 2024 we agreed the scheme budget for the M60 Simister Island scheme, and have progressed to the detailed design phase, and are continuing to deliver highway maintenance activities on our Area 14 contract.

Within the SMP Alliance, our delivery of the M6 Junction 21a-26 smart motorway upgrade opened to traffic in December 2024, and we are supporting the National Emergency Area Retrofit programme on the M1 for smart motorways through design and delivery of additional stopping areas.

We have a growing pipeline of opportunities in Road for local government bodies, as well as National Highways, and see good long-term prospects in this market.

## Divisional results – Transportation

| | FY24 adjusted[1] | FY23 adjusted[1] | Adjusted1 change |
|---|---|---|---|
| Road | **307.3** | 399.5 | -23.1% |
| Rail | **454.9** | 500.2 | -9.1% |
| Integrated Transport | **83.6** | 43.4 | 92.7% |
| Total revenue | **845.8** | 943.1 | -10.4% |
| Operating profit/(loss) | **29.9** | 28.0 | 6.9% |
| Operating margin | **3.5%** | 3.0% | 0.5%pt |

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

**Rail** provides a mixture of complex programme delivery and consultancy to key clients, mainly HS2 and Network Rail. Revenue decreased by 9.1% in FY24, principally because of the completion of our main works at Gatwick Station in the period. The Skanska Costain STRABAG (SCS) JV contract to construct the southern section of HS2, which has a twin bore tunnel, has seen the first of the four tunnel boring machines (TBM) complete its drive with the other three TBMs making good progress and due to complete their drives during 2025. The HS2 programme is currently navigating a change in its programme delivery strategy with an integrated programme being developed and work is expected to commence on a revised programme with the supply chain, including the SCS JV.

We continue to expand our portfolio of work for Network Rail and DfT through our framework contracts, where we are providing professional consulting services. These include being a key partner to protect the rail network from extreme weather, supporting Bradford Metropolitan District Council in the development of their local infrastructure plan, and working with Network Rail to improve train safety and performance.

In December 2024, we announced that Costain had won two major system contracts with HS2. The first was as a sole supplier to deliver tunnel and lineside mechanical and electrical systems for HS2, with a total contract value worth a minimum of £400m to Costain. The second was with a Siemens Mobility and Costain Limited 50/50 Joint Venture which will deliver high-voltage power supply systems for the HS2 project valued around £300m to the joint venture. The contract timing for these contracts is being assessed in line with the developing HS2 integrated programme.

**Integrated Transport** provides a mix of consulting and complex project delivery to sub-national transport bodies, central government and to Aviation customers. Revenue increased by 92.7% in FY24 on the prior year, reflecting growing work volumes at Heathrow and with TfL.

During FY24, we continued to work on the Gallows Corner Flyover Detailed Design & Build contract and on the design phase for Brent Cross for TfL. We also commenced the next phase of delivery work on the A40 Westway and continue to support TfL's CCTV service.

We also increased the volume of our work at Heathrow to shape, create and deliver asset renewal and construction projects through the H7 Terminal Asset Renewal Partner and Major Project Partner frameworks. We also continue to support other aviation customers at East Midlands, Gatwick, Manchester and Stansted airports. We continue to work with a number of local and regional government organisations to deliver engineering and professional services.

We expect that Aviation, Ports, local and devolved transport bodies will offer strong growth opportunities for the business.


### Safety

Safety is always our number one focus, and we aim to eliminate harm across all of our activities. We saw another strong safety performance in 2024 with our Accident Frequency Rate hitting its joint lowest level ever, and our Lost Time Injury Rate and High Potential Event Frequency Rate both reaching their second lowest ever scores. This was achieved with more than 30 million hours worked across more than 170 project sites. Part of the key to our safety performance is engagement; we know an engaged workforce is a safer workforce and for nearly a decade we have been increasing engagement with our projects and driving down incidents.

Discover more on our website / **www.costain.com/people**

Operational Review continued

# Natural Resources continued to increase revenue and profitability in 2024.

"The division increased revenue, operating profits and margin, and secured significant volumes of new work."

**Sam White**
Managing Director of Natural Resources

## Natural Resources

Revenue increased by 4.2% to £405.3m, reflecting growth in Defence and Nuclear Energy and in Water with stable revenues in Energy. Divisional adjusted operating profit[1] increased to £23.8m (FY23: £21.8m), and adjusted operating margin[1] increased by 0.3pt to 5.9% due to a higher mix of consultancy revenue.

**Water** delivers a broad range of services to improve asset and operational resilience across the Water sector, together with decarbonisation capabilities. Revenue increased by 2.5% as the industry moves from AMP7 to AMP8 projects. We have good visibility across our ongoing five-year AMP7 programmes through to 2025, and our AMP8 projects for the period 2025-2030, where we expect to see strong growth in this area. Our work for Tideway, where in a joint venture we are responsible for the eastern section, moved into the final stage of the programme commissioning and the tunnel became operational.

The breadth of our service offering continues to grow with work including wastewater to gas, water quality assurance and water treatment, as well as design, maintenance, capital delivery and strategic resource options. We continue to work on capital delivery programmes for Anglian Water, Severn Trent Water, Southern Water, and Thames Water in AMP7.

We have also started clay compaction trials and the provision of constructability advice to support the design of a new reservoir in Oxfordshire for Thames Water.

We have strongly increased our presence in Water in the year, with the combination of the rollover of current contracts, contract extensions and new customer wins. During FY24 these include: major AMP8 contract wins with Northumbrian Water, United Utilities and Southern Water; finalising contract extensions with Severn Trent Water and Thames Water; and the provision of programme management services through to 2032 as part of a major framework for Thames Water. Our CMDP+ joint venture with MWH Treatment was awarded contracts by Southern Water as part its AMP7 investment programme.

**Energy** revenue increased by 1.3% in FY24 on the prior. We expect significant long-term growth in this sector given the requirement for energy infrastructure investment to support economic growth, tackle climate change and enhance the natural environment. We provide our customers in this sector with a range of services including engineering design, managed services and programme management, solving our customers' complex energy challenges through excellence in engineering and delivery.

## Divisional results – Natural Resources

| | FY24 adjusted[1] | FY23 adjusted[1] | Adjusted1 change |
|---|---|---|---|
| Water | **251.5** | 245.3 | 2.5% |
| Energy | **46.2** | 45.6 | 1.3% |
| Defence and Nuclear Energy[2] | **107.6** | 98.0 | 9.8% |
| Total revenue | **405.3** | 388.9 | 4.2% |
| Operating profit/(loss) | **23.8** | 21.8 | 9.2% |
| Operating margin | **5.9%** | 5.6% | 0.3%pt |

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.
2 Defence and Nuclear Energy includes nuclear-related revenue previously included in Energy, following the Natural Resources reorganisation.

Our strategic focus areas are energy transition (hydrogen and carbon capture), energy resilience (brownfield modifications for enhanced longevity and performance, energy storage and carbon reduction) and energy connectivity (gas and electricity networks).

We have been awarded the contract to oversee and manage the engineering, procurement and construction of the onshore $CO_2$ gathering systems for the £4bn East Coast Cluster investment. We have commenced work on the detailed design and delivery phase of bp's Net Zero Teesside Power and Northern Endurance Partnership joint ventures of the interconnecting $CO_2$ pipeline and associated utilities, and the H2Teesside new hydrogen pipeline, as an augmentation of our scope for the East Coast Cluster. In energy resilience, we have been supporting a number of clients including INEOS FPS and Dana Petroleum with studies and design activities to progress their sustainability initiatives.

In energy connectivity, we continue to manage the safety-critical gas mains replacement programme for Cadent in the East of England, the contract for which has been extended by three years. We are also providing pre-feed assessment for a green hydrogen project which we expect to increase in volume during 2025.

We continue to support bp as it progresses the wider de-carbonisation of the local energy supply and pursues innovative carbon capture and storage solutions and were selected by Wales and West Utilities to lead a series of studies to develop their hydrogen vision.

We see growth in project delivery and opportunities in supporting our long-standing petrochemical customers in decarbonising their midstream operations through large scale energy switching engineering projects, including hydrogen generation and transportation. In addition, we expect to see growth in the energy transmission market.

**Defence and Nuclear Energy** supports several public and private sector organisations in a variety of customer-side, delivery partnership roles, across the UK Defence Nuclear Enterprise. Revenue increased by £9.6m, 9.8% on the prior year, driven by a growth in demand within our current delivery partnership roles.

During FY24, we were awarded two new framework contracts in the nuclear energy sector as previously reported and expect further growth in this area.

We are currently well positioned across the Defence Nuclear Enterprise and our ambition is to be the delivery partner of choice for the Ministry of Defence (MoD), and its prime contractors, for its strategic infrastructure needs.

### Our work supporting the water sector

We've already been supporting our water sector customers with their Asset Management Period 7 plans, helping major customers hit all of their project regulatory commitments due in 2024, and we're on schedule to deliver against commitments in 2025, too. This high performance, and our collaborative approach, has been recognised with significant new contracts.

Discover more on our website / **www.costain.com/people**

# Key Performance Indicators

Our KPIs are aligned with how we measure our performance against our strategic priorities. These reflect our vision of creating infrastructure that helps people and the planet to thrive, while also ensuring that we deliver for all our stakeholders.

## Financial metrics

### Adjusted operating profit[1]

| | |
|---|---|
| 2024 | £43.1m |
| 2023 | £40.1m |
| 2022 | £36.3m |

£43.1m

**Measure**

Adjusted operating profit.[1]

**Relevance**

Our business is going through a transformation as we build on being a Tier 1 contractor, in order to provide a unique offering across the asset life cycle, which is reflected in an increased adjusted operating profit[1] and improved margin. The infrastructure investment programme being undertaken by the UK Government is for the more traditional type of construction work, for which margins are lower, and we also saw the impact of inflation on pricing.

**Target**

Double-digit compound growth in the medium term.

**Performance**

Adjusted operating profit[1] was £43.1m (FY23: £40.1m) and adjusted operating profit[1] growth was 7.5%, reflecting increasing efficiencies in the business and growth in Natural Resources.

### Adjusted operating profit margin[1]

| | |
|---|---|
| 2024 | 3.4% |
| 2023 | 3.0% |
| 2022 | 2.6% |

3.4%

**Measure**

Adjusted operating profit margin.[1]

**Relevance**

As our business becomes more efficient and revenue mix shifts to include more higher-margin consultancy and digital work, we expect this to be reflected in the operating profit margin. We have identified areas for operational efficiency, some of which we anticipate adding to the bottom line and supporting our margin. This is calculated as adjusted operating profit divided by adjusted revenue.

**Target**

We exceeded our target 3.5% adjusted operating margin[1] run-rate during the course of FY24, and have a 4.5% run-rate target during the course of FY25, and our ambition is to reach in excess of 5.0% thereafter.

**Performance**

Adjusted operating margin[1] was 3.4% for the year and 4.4% in the second half as we saw improvement in the business driven by growth and increased margin in the Natural Resources division.

### Adjusted basic earnings per share[1] (EPS)

| | |
|---|---|
| 2024 | 14.6p |
| 2023 | 12.2p |
| 2022 | 9.9p |

14.6p

**Measure**

Adjusted basic earnings per share.[1]

**Relevance**

We believe that EPS, while not perfect, is an accessible measure of the returns we are generating for our shareholders and reflects both revenue growth and operating profit margin. It also acknowledges that historically, shareholdings have been diluted through share issues. EPS is calculated based on the adjusted profit attributable to equity shareholders[1], divided by the basic weighted average number of ordinary shares ranking for any dividend in the period.

**Target**

We target EPS growth in line with our strategy to grow operating profit.

**Performance**

Improvement in EPS was driven by overall improvement in profitability.

### Adjusted free cash flow

| | |
|---|---|
| 2024 | £27.1m |
| 2023 | £72.0m |
| 2022 | £72.9m |

£27.1m

**Measure**

Adjusted free cash flow is defined as net cash flow from operating activities, excluding cash flow relating to adjusting items, less capital expenditure.

**Relevance**

In a business with small operating margins, profitability alone is not an adequate measure of performance or balance sheet strength; it is possible to deliver better margins, but poor value for shareholders if that profit is not converted into cash.

**Target**

Cash conversion rate of 90%.

**Performance**

Free cash flow in FY24 reflected year-end timings of working capital, as well as higher tax and capital expenditure payments as we invest in new systems, partially offset by lower pension deficit contributions, see page 47 for more details.

## Non-financial metrics

### Safety

| | |
|---|---|
| 2024 | 0.11 LTIR |
| 2023 | 0.12 LTIR |
| 2022 | 0.09 LTIR |

0.11 LTIR

**Measure**

Lost Time Injury Rate (LTIR).

**Relevance**

Effective health and safety management systems are critical in preventing incidents which could cause injury to people and damage to property and reputation.

The main outcome metric we use to measure safety performance is Lost Time Injury Rate which is calculated by dividing the number of Lost Time Injuries by the number of hours worked, multiplied by 100,000.

**Target**

Target is to keep LTIR less than 0.15.

**Performance**

This exceptional performance was delivered with over 30 million hours worked by an average daily workforce of 14,500 across typically over 170 project sites.

We know that an engaged workforce works safely and since 2016 we have increased our engagement measure and in the same period halved incidents.

### Social contribution

| | |
|---|---|
| 2024 | £410k |
| 2023 | £460k |
| 2022 | £391k |

£410k

**Measure**

Community investment.

**Relevance**

We are committed to being a trusted community partner and one that genuinely adds social value. We have a responsibility to understand the needs of local people and, where possible, work with them to make a lasting difference.

Social contribution is defined as the sum of charitable/community donations, employee fundraising, and the social value resulting from employee volunteering.

**Target**

Annual contribution of 1% of post-tax profit.

**Performance**

In H1 24 we launched our new social value plan, which is underpinned by our comprehensive social value framework. The social value plan demonstrates our commitment and enabling actions to achieve our goal of improving one million lives by 2030.

### Environmental impact

| | |
|---|---|
| 2024 | 278,218 $tCO_2e$ |
| 2023 | 281,355 $tCO_2e$ |
| 2022 | 320,722 $tCO_2e$ |

278,218 $tCO_2e$

**Measure**

Absolute GHG emissions (Scopes 1, 2 and 3).

**Relevance**

Climate change is the challenge of our generation and we have an ambition to become a net zero business by 2045.

It is fundamental that we not only reduce the carbon produced in our operations and our customers' operations, but also what becomes embedded in what we build. Further detail on the calculation of our GHG emissions can be found on page 42.

**Target**

Net zero GHG emissions by 2045.

**Performance**

In 2024 absolute emissions reduced by 1% year-on-year but increased by 0.3% compared to our 2021 baseline. However, when normalised by turnover ($tCO_2e$/£m) emissions reduced by 9% compared to our 2021 baseline.

Discover our full GHG disclosure / pages 42 and 43

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

Our Stakeholders

# Working together to achieve our goals

## Understanding what is important to our stakeholders is crucial to delivering shared value.

We have a responsibility to work together with our customers and partners, our people, our communities, and our supply chain to minimise our environmental impact and to generate positive social value. We actively listen to our stakeholders and take action to help address their needs. We look beyond our local impact and engage with stakeholders to consider our wider societal contribution and how this aligns to macro initiatives such as the United Nations Sustainable Development Goals.

We work with our stakeholders to maintain our high standards of business conduct, particularly with regards to ethics and human rights issues. We take a zero-tolerance approach to corruption and bribery, and our independent whistleblowing process ensures that we can listen and react to any concerns that are raised.

In 2024 we focused our annual mandatory Code of Conduct training on the updated Fraud Policy, Gifts and Hospitality Policy and Process, Competition Law, Conflicts of Interest, Subsistence, Data Protection and Whistleblowing.

The Board of Costain is accountable for Environmental, Social and Governance (ESG) and sustainability.

The Board recognises that it is essential that Costain operates in a responsible manner and that our strategy is aligned to improving people's lives, as per Costain's purpose.

The Board seeks to engage with each of our key stakeholder groups to help inform the strategic decision-making process.

## Our key stakeholder groups

### Workforce

Our people are our most valuable asset. We rely on their skills, experience, knowledge and diversity to deliver our purpose to improve people's lives. (We share further details on workforce skills, capabilities and engagement on pages 82 to 85).

### Customers

Understanding our customers' changing requirements is fundamental to our success. We support our customers by offering them solutions to meet their evolving needs.

### Shareholders

Our shareholders' views inform our decision-making and their interests underpin our commitment to operating responsibly.

### Suppliers

Our suppliers are key to our ability to deliver pioneering solutions for our customers. It is important we understand each other's cultures and methods of business.

### Communities and environment

We value the opportunity to engage with our local communities across all of our projects. We generate social value as a result of our work in our local communities.

Making a positive contribution to our environment and tackling climate change are central to our operational practices.

For our Section 172 Statement, which sets out how the Board takes stakeholder interests into account when making decisions, see our Governance Report / **pages 74 to 77**



## What matters to our stakeholders

We are committed to identifying and addressing the material sustainability issues that affect Costain and our stakeholders.

### Data-driven materiality analysis

We conduct a quarterly double materiality assessment to help inform Costain's business planning, our operations, guide our disclosure, and help us identify stakeholder priorities to enhance our engagement. The process has highlighted changes to our materially important issues, identifying those increasing in priority, which has allowed us to make informed decisions through 2024 to steer our actions and strategy to align to increasing priorities. Through this smart, data-driven process, we are able to: focus only 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.

## Costain's materially important sustainability issues

### People

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

### Planet

- Carbon
- Nature
- Resource efficiency

### Performance

- Ethical corporate behaviour
- Climate change resilience
- Quality

For our Non-financial and sustainability information statement, which sets out our position on the key non-financial matters that our stakeholders have deemed important when taking part in our materiality assessment / **page 57**

## Sustainability

# Our Sustainability Performance

To thrive in an ever-changing world, there is a compelling business case for us to be bolder in shaping Costain around the principles of sustainable business.

This will benefit how Costain secures new business; reduces our operating costs and risks; attracts, retains and motivates the brightest and the best; gives us a licence to operate in the communities where we operate; helps us anticipate and secure new technologies, materials and processes ahead of the market.

We have used an AI-based application to undertake a ‘double materiality’ assessment, helping to reflect the views of our stakeholders, wider society and regulation to highlight the environmental and social issues that really matter. The output was used to create (in 2023) an ESG programme to help us deliver sustainable business activities in the short to medium term. Our ESG programme sets out our detailed goals, KPIs and plans on issues such as climate change, nature, water resources, health and safety, and diversity and inclusion. The ESG programme brings together all our goals, targets, KPIs and enablers; showing how we will create environmental, social and economic value for all, now and into a more sustainable future.

### Our 2030 goals

- A psychologically safe workplace with an engaged, thriving and representative workforce.
- In the period to 2030 our solutions and social value programmes will improve more than one million lives.
- Eliminating harm in all we do.
- Net zero carbon (Scope 1 and 2) by 2035.
- Contributing to nature positive.
- 30% reduction in water use from operations compared against a 2023 baseline.
- Our stakeholders rate us as an ethical company.
- 30% of revenue from ‘green’ projects.
- Right first time.

### Reporting progress against our goals

We recognise reporting progress against our material sustainability issues is important to our stakeholders and demonstrates our integrity (one of Costain’s core values). Over the past 12 months we have been preparing for the requirements of the UK Sustainability Disclosure Standards and will endeavour to report in line at the earliest opportunity.

We are pleased to report progress against our annual objectives within this report and we report in further detail on pages 7 to 37 of our Sustainability Report.

Discover more on our website / **www.costain.com/sustainability**

### Self-sufficient water system for Eccles community garden

We created a water run-off system at a community garden in Eccles, Greater Manchester. This social value initiative is part of our collaboration with SMP Alliance on National Highways’ upgrade of the M6 between junctions 21a and 26. The system will make the garden self-sufficient for the watering of plants.

Cleavley Community Forest Garden is an outdoor space offering educational and horticultural workshops and planting sessions for local residents and schools. It’s run by Incredible Education, a social enterprise that specialises in community health and wellbeing programmes in the region. Working with local stakeholders, we built on research from the University of Salford to construct an irrigation system that prioritised the storage and reusability of rainwater.

The system takes run-off water from the Garden’s workshop roof to an off-ground water storage unit, which is expected to capture 20,600 litres of water each year. It forms part of an educational toolkit for local schoolchildren, covering sustainability, horticulture, engineering and nutrition. It will also relieve pressure on external water demands and boost biodiversity at the community garden.

Discover more on our website / **www.costain.com/sustainability**

## 2024 objectives

### People

- Eliminating harm in all we do, achieving an LTIR of 0.15.
- Accredited to Disability Confident level 3 (Achieved – see page 79).
- 10% year-on-year increase in employee volunteering.

## Our 2024 progress and performance

### Lost Time Injury Rate (LTIR)

0.11 LTIR

(2023: 0.12)

- Four reportable accidents (2023: 13) in over 30 million working hours.

### Social contribution[1]

£410k

2023: £460k.

- **10,100 hours volunteered** in our local communities (2023: 4,100).
- In total **£134k was raised** and/or donated to UK charities in 2024.

1 Social contribution is defined as the sum of charitable/community donations, employee fundraising, and the social value resulting from employee volunteering.

### Diversity of our workforce

**Employees**

| | Male | Female |
|---|---|---|
| 2024 | 2,169 | 926 |
| 2023 | 2,329 | 941 |

**Board members**

| | Male | Female |
|---|---|---|
| 2024 | 4 | 4 |
| 2023 | 4 | 4 |

**Senior management**

| | Male | Female |
|---|---|---|
| 2024 | 18 | 11 |
| 2023 | 19 | 10 |

Male Female

### Planet

- Continue to ensure 100% of all relevant designs and delivery contracts have a carbon baseline and reduction plan.
- Deliver a >6% reduction in our Scope 1 and 2 emissions.
- 100% of relevant contracts working in accordance with PAS 2080.

| | 2024 | 2023 | % change |
|---|---|---|---|
| Scope 1 $tCO_2e$ ($CO_2$ equivalent emissions across all legal entities) | **4,772** | 4,876 | -2.1% |
| Scope 2 $tCO_2e$ ($CO_2$ equivalent emissions across all legal entities) | **888** | 1,299 | -31.6% |
| Scope 3 $tCO_2e$ ($CO_2$ equivalent emissions across all legal entities)[2] | **272,558** | 275,181 | -1% |
| Total emissions | **278,218** | 281,355 | -1% |
| % of relevant contracts working in accordance with PAS 2080[3] | **100%** | N/A | N/A |
| Water consumption m³ | **186,648** | Not measured | |
| Major environmental incidents | **0** | 0 | 0% |
| Environmental incident frequency rate | **0.11** | 0.18 | n/a |

2 We account for eight of the 15 Scope 3 categories, with purchased goods and services (PG&S) continuing to represent our largest hotspot, making up 96% of Scope 3 emissions. For a detailed breakdown of our emissions including totals of energy consumption as per the Streamlined Energy and Carbon Reporting (SECR) requirements, see page 43.

3 A ‘relevant project’ is one where Costain is the ‘Principal Contractor’ during either the pre-construction or construction stage and is over six months long.

### Performance

- >35% of our spend to be with SMEs.
- >19% of our spend to be with small businesses and voluntary, community or social enterprises (VCSEs).
- Have an average Considerate Constructors Scheme score of >42.

- >£328m spent with small businesses and VCSEs, equating to 20.6% of our total spend (2023: 18.4%).[4]
- Costain was awarded a Green Economy Mark by the London Stock Exchange for delivering green revenue in excess of 50% of turnover.
- Average Considerate Constructors Scheme score for Costain is 45.5/50.0. Industry average is 40.7/50.0.

### Spend with SMEs[4]

41%

2023: 38%

4 Reported SME spend includes joint venture supplier spending where payment has been processed through Costain.

Sustainability continued

# The Task Force on Climate-related Financial Disclosures (TCFD)

We continue to develop our understanding of Costain's role in mitigating and adapting to climate change, with a focus on how our business changes can support decarbonisation across the UK.

We are pleased to make climate-related financial disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and the requirements of LR 9.8.6. Our disclosure covers 1 January to 31 December 2024.

These disclosures have not been subject to third-party assurance; however, our greenhouse gas emissions data (page 43) has been third-party accredited by Achilles per the Toitu Carbon Reduce scheme and ISO 14064-1 and 3.

| Section | How we have addressed the disclosure |
|---|---|
| Governance | Costain's climate-related governance structure is set out and described on page 37. Here we describe the role of the Board and the Executive Board in managing and assessing climate-related risks and opportunities. |
| Strategy | We set out Costain's climate-related risks and opportunities on pages 39 and 40 and discuss the scenarios we have considered in our climate-related scenario analysis on page 38. Details on Costain's progress in developing a climate transition plan is given on pages 41 and 42. |
| Risk management | Our approach to climate risk management is fully integrated into how we identify, assess and manage risk as a whole. We explain Costain's approach to risk management on page 50 and this section is followed with information regarding Costain's principal risks, including climate change (see page 55). |
| Metrics and targets | The metrics used to monitor Costain's transition to net zero emissions, monitor exposure to physical climate-related risks and the solutions provided to customers are provided on page 42. Costain's GHG emissions data is disclosed on page 43 and a more detailed breakdown provided in our separate Sustainability Report. |

We provide a more detailed update on the progress we have made against Costain's climate change action plan and how we are aligning our disclosures to the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) in our separate Sustainability Report
**www.costain.com/sustainability/reports-and-downloads**

## 2024 progress

### PAS 2080:2023 update

Costain is a PAS 2080:2023 certified company and in 2024 was re-certified by BSI. By aligning ourselves with PAS 2080 2023, Costain has a consistent approach to climate change mitigation through embedding decarbonisation principles and effective carbon management.

The PAS 2080:2023 principles emphasise the collaboration among all members of the value chain, to build climate resilience into the start of our projects and drive decarbonisation as early as possible in the project's life cycle. This collaboration is key to collectively develop and implement the PAS 2080 carbon management process.

During 2024 Costain released a suite of guidance, tools and templates for its employees on how to comply with the PAS 2080:2023 principles. This involves guidance on quantification, reduction and reporting approaches required in the tender, design, procurement and construction stages of projects.

### Climate resilience adaptation capabilities

In 2024 we have been developing our climate resilience and adaptation capability at Costain by focusing on how we design and how we deliver our projects.

We have embedded these principles into our design capability by developing a climate resilience risk assessment process, which aligns climate projections with project requirements, and maps interdependencies of the project and its surrounding environment.

On our sites, we are developing methods to ensure we construct with climate resilience in mind. This includes prioritising water management strategies, minimising our works footprint, embracing the natural surroundings, and embedding cognisance of climate and high-impact weather events into our plans.

### Data improvement project

We developed our Environmental Construction Data Tracker. The first phase is focused on carbon, standardising the collection, quantification and visualisation of as-built carbon emissions on our projects. The Tracker enables our project teams to capture as-built emissions from across our supply chain, helping to support project-level carbon management.

Data is collated monthly for materials used on site, as well as transportation, energy, waste and travel associated with the project's activities. Project teams all have access to a project-level dashboard, where their as-built footprint is visualised alongside several other metrics and data to support project-level carbon management.

The system consolidates data from across the business and feeds it into a central database. Data from the tracker was incorporated into our corporate GHG disclosure for the first time in 2024, developing our hybrid approach to future improve the accuracy and transparency of our data.

## Climate-related governance

Corporate governance is key to our management and Board oversight, ensuring we're aligned with our values and on track with our goals. The Board holds responsibility for sustainability related activities, making sure that our policies and strategies are in line with broader business objectives. Our governance structure below establishes clear accountability and assigns responsibility for climate-related matters at the appropriate levels. This approach delegates authority to manage risks and opportunities at the appropriate level and enables local decision-making for operational matters. Those accountable and their responsibilities are central to Costain's climate-related governance:

| Forum | Responsibilities |
|---|---|
| **The Board** | The Board has ultimate responsibility for sustainability issues. The Board sets and oversees Costain's strategic priorities and monitors the implementation of our strategy, which includes the climate change action plan. The Board met eight times in 2024, discussing climate-related matters in three meetings. The Board receives a report at each meeting from the chief people and sustainability officer which provides updates on our sustainability activities.<br>In October 2024 the Board completed a deep dive of Group risk 20 (a component of Principal Risk 10), failure to deliver our sustainability targets, particularly Net Zero 2035. In conjunction with the risk deep dive, the Board considered and approved a revision to Costain's absolute net zero target, realigning the ambition to 2045 in light of the scenario analysis presented to them (see pages 41 to 42).<br>The chief executive officer has accountability for Principal Risk 10 – Climate change resilience. |
| **The Audit and Risk Committee – reports to the Board** | The Audit and Risk Committee meets four times per year and is responsible for supporting the Board in its oversight of all risks, including climate change. The Audit and Risk Committee reviews Principal Risk 10 twice a year along with our other principal risks. |
| **Remuneration Committee – reports to the Board** | The Remuneration Committee approves the annual incentive plan for the executive directors and senior managers, which includes a weighting for safety, health and environmental (SHE) performance. The Remuneration Committee approves the Long-Term Incentive Plan (LTIP) criteria, which includes an ESG weighting (climate change 15%). |
| **The Executive Board – reports to the Board** | The Executive Board is responsible for the management of strategic risks and opportunities and monitoring the progress of Costain's ESG programme and climate change action plan, ensuring that the necessary resources are available. The Executive Board met 10 times in 2024, with climate-related matters discussed in three meetings. The Executive Board receives a report at each meeting from the chief people and sustainability officer providing updates on our sustainability activities and the Group SHE director provides a detailed report setting out our projects' performance against agreed carbon reduction plans and biodiversity plans.<br>In September 2024 the Executive Board considered the findings from scenario analysis related to Costain's transition planning and discussed the risks and opportunities related to the potential transition pathways for Costain and agreed to make a recommendation to the Board to revise Costain's absolute net zero target (see pages 41 to 42). |
| **Executive Safety, Health and Environment (SHE) Committee – reports to the Executive Board** | The Executive Safety, Health and Environmental (SHE) Committee is responsible for the delivery of Costain's climate change action plan and reports progress to the Executive Board. The meeting is structured into two separate parts, to ensure topics such as climate change, carbon, nature and environmental performance are given appropriate oversight. The Committee membership includes Costain's two divisional managing directors, the chief people and sustainability officer, chief engineer and procurement and supply chain director. The Executive SHE Committee met nine times in 2024, with climate-related matters discussed at every meeting. |
| **Operational leadership – reports to the Executive Board** | Operational leadership reports to the Executive Board: risks and opportunities are managed by the divisional leadership teams, with the managing directors responsible for taking a market-based approach to these matters. |

# Sustainability continued

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

## Strategy

We are strategically well positioned in our four key UK markets, where there is commitment to long-term investment in infrastructure: Transport, Water, Energy, and Defence and Nuclear Energy.

On pages 12 to 17 Costain's strategy and business model is set out in detail. We understand the policy, investment and regulation trends that are reinforcing our strategy in terms of changing market needs and how climate change is driving this. We believe that our approach puts us at the forefront of meeting this opportunity to create truly connected, sustainable infrastructure for the good of UK communities and to improve people's lives. We collaborate with our customers who we have specifically chosen to partner with us to help shape the future of infrastructure delivery and asset management.

On pages 39 and 40 we have set out and described the climate-related opportunities and risks to Costain over the short (0–3 years), medium (3–10) and long term (10 years+).

Since its implementation in 2020, our climate change action plan has shaped our strategy, reinforcing resilience and will enable us to achieve a net zero future. We provide a detailed report of our progress against our ambition in our Sustainability Report.

## Scenario analysis: resilience of strategy

To increase our understanding of the transitional and physical risks Costain faces with climate change, we have worked with trusted consultants and academic partners to develop quantitative and qualitative scenario analysis. We have identified the climate-related risks most material to our future operations.

We considered the drivers most pertinent to the risks identified (pages 39 and 40) and then stress tested them against three recognised climate scenarios (below). The risk drivers considered include:

- Physical – the scenario analysis focused on modelling the impact of extreme heat and precipitation on Costain's ability to be productive in the future and costs of mitigation and/or remedial works.
- Transitional – we considered how carbon taxation would affect raw materials pricing.

These scenarios were based on the Network for Greening the Financial System (NGFS) global climate models to qualitatively assess the possible implications of climate change on our business up to 2050.

The scenarios are as follows:

1) Net zero 2050 – This scenario aims to limit warming to 1.5˚C through strict climate policies and innovation in construction activities. It also targets net zero $CO_2$ emissions by 2050, bringing it in line with the 2015 Paris Agreement.

2) Delayed transition – This assumes a 'disorderly transition' where annual carbon emissions do not decrease until 2030. Stringent policies are then required to constrain warming to below 2˚C.

3) Current policies – This scenario models the high climate impacts associated with a warming of 3˚C+, if only current policies and plans are preserved.

We are using the insight gained from this scenario analysis to influence business planning decisions and in developing our risks and opportunities (see pages 39 and 40). By communicating these findings throughout our business, we are increasing visibility of our climate-related risks, and influencing decision-making.

Throughout 2024 we have worked on the development of Costain's climate transition plan, planning for an orderly transition to net zero through a better understanding of the complex interdependencies involved. You can find out more about our progress towards this and the scenario analysis undertaken to inform Costain's revised net zero target on pages 41 to 43.

## Resilience of Costain's strategy to climate change

We have identified risks and opportunities (see pages 39 and 40) that could arise taking into consideration a 2˚C or lower scenario. We believe Costain's strategy to be resilient to our various climate risks and we are well placed to capitalise on the market opportunity presented through our customers' need to enhance the climate resilience of their infrastructure. These opportunities by far outweigh the identified risks, irrespective of which of the three NGFS scenarios is considered.

We believe that there are significant opportunities to shape and deliver decarbonised solutions to our customers and we are investing to ensure our people have the skills and capabilities to meet this challenge.

## Impact on financial statements

We are monitoring our contractual position due to disallowable costs arising from our transition to net zero and work collaboratively with our customers and suppliers to manage this risk. These costs are mainly related to the additional price premium for low carbon materials and fuels, such as hydrotreated vegetable oil (HVO) fuel which is not universally an allowable cost with all customers. However, we do not believe these costs are material.

## Going concern and viability

While climate change resilience is one of Costain's principal risks, the prospective impact of climate change on the business's operating costs are not considered material within the time frame over which going concern and viability are considered.

Our scenario analysis does not suggest that in the short or medium term climate change will have a material impact on future viability assessments.

www.costain.com/our-culture/performance-and-reports/



## Climate risks and opportunities

The table below summarises the climate-related risks and opportunities that we have identified in the short, medium and long term. Costain's processes for identifying, assessing and managing climate-related risks are consistent with all Group risks (see pages 52 to 55).

Costain has a Climate Change Principal Risk which is underpinned by detailed consideration of both the physical impact of climate change on Costain's ability to operate, and the transitional risks related to achieving our net zero objectives. For further details on this risk and how Costain approaches risk management, please see pages 50 and 51).

## Risks

| Risk | Description/Impact | Response |
|---|---|---|
| **1. Government tax on carbon/carbon pricing mechanism**<br>ST MT | Media interest, changing public attitudes and the UK's binding 2050 net zero target has led to greater expectations for infrastructure companies to provide low carbon solutions. This change in public sentiment could lead to the government introducing legislation in the form of a tax to incentivise decarbonisation.<br>As Costain uses large volumes of high-intensity carbon materials such as cement and steel, this could lead to an increased tax burden and higher operational costs up and down our value chain. | Costain is working in partnership with customers and suppliers to accelerate opportunities to reduce embodied emissions in materials and reduce energy consumption from construction activities.<br>Costain's carbon goals have been validated by the Science Based Targets Initiative, and following further detailed scenario analysis (see pages 41 and 42), Costain has set out its carbon transition plan to meet net zero emissions across all scopes by 2045. |
| **2. Failure to achieve net zero targets**<br>MT LT | The supply of low carbon materials and/or the decarbonisation of the energy grid has a direct link to Costain's ability to meet its net zero targets.<br>Failure to meet Costain's net zero targets (see page 55) could result in reputational damage and/or loss of future business opportunities which in turn could impact revenue. | Following detailed scenario analysis the Board approved in October 2024 a revised net zero target (see page 41).<br>Costain is focused on providing low carbon design solutions and developing strategic relationships with suppliers to ensure it is able to facilitate early adoption of low carbon materials, plant and other goods and services. |
| **3. Changes in customer buying behaviour**<br>ST MT | Our customers' approach to procurement may inhibit or disincentivise our ambition for low-carbon and sustainable solutions. A price-centred procurement approach will focus on sourcing the cheapest materials, potentially at the expense of higher embodied carbon. This conflicts with Costain's sustainable procurement approach, which aims to reduce embodied carbon in materials purchased.<br>This risk could be exaggerated due to potential increased costs related to certified sustainable materials, which in the short to medium term are likely to be in short supply.<br>Conversely, some customers may prioritise selecting low-carbon solutions and only select leading companies. | Costain is working in collaboration with designers, partners, customers and suppliers to implement the PAS 2080 carbon principles. Implementing PAS 2080 will help lower whole life project costs, reduce emissions, and enhance competitiveness in tenders. By collaborating with our value chain we can reduce the effect of the cost/ carbon tipping point and support scaling up of new materials and techniques.<br>During 2024 Costain updated its carbon management system, with new requirements in order to comply with the PAS 2080:2023 principles (see page 36 for further information). |
| **4. Increase in disruptions due to severe weather events**<br>ST MT | Intense storm events (through flooding and/or wind ) may cause damage to project sites causing additional costs and delays. Damages to assets could lead to write-offs and early retirement of existing assets.<br>Increased insurance costs could arise due to more material damage claims.<br>Extreme weather can lead to supply chain disruption (longer lead times, delays on projects, increased costs). The effect of this would be to increase project costs, which may not be transferred onto the client. | We are incorporating risk measurement into our project controls, for example on our M60 project we are tracking the effects of weather events within project controls, enabling us to understand the impact of the events and the cost of the lost time/days. We use this to strengthen our risk analysis, improve our SHE assurance and inform future risk management.<br>We are also trialling digital tools to predict the effect of weather events on programmes and better understand the potential impacts of events. |

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

## Sustainability continued

| Risk | Description/Impact | Response |
|---|---|---|
| **5. Long-term effects of climate change on working habits and infrastructure assets** LT | Hotter, drier summers leading to an increase in heatwave conditions may require changes to project working practices. Increased temperatures may cause productivity to decrease, thereby reducing our revenues. Costain may therefore need to provide protective equipment to ensure safe working environments for employees and ensure productivity remains constant. This would increase project costs.<br><br>Rising mean temperatures will also impact the type of materials we are able to use on projects. | We continue to assess the possible future impact on productivity from extreme weather events and work with experts such as the University of Colorado to analyse climate models and academic research (see page 38).<br><br>To mitigate this risk, we have conducted a climate resilience review of common construction materials used on sites. This includes the effects of extreme weather such as heat, cold, wind and precipitation. We work proactively with customers to ensure solutions offer climate change resilience. |

### Opportunities

| Opportunity | Description/Impact | Response |
|---|---|---|
| **1. Market opportunities for investment in low carbon solutions infrastructure** ST MT | Increased demand for low carbon infrastructure. In order to meet low carbon and energy efficient standards, clients will have to replace assets or modify existing assets. This is likely to create many opportunities, with potential for growth in Costain's maintenance capabilities. By driving low carbon alternatives, we can gain a competitive edge over peers.<br><br>Increased opportunity to support infrastructure customers with the decarbonisation of their assets and to support the energy transition. | We are investing in our sustainable engineering capability, upskilling engineers and commercial colleagues to meet future customer demand.<br><br>We have invested in a carbon tracker so we can better understand our carbon data and target greater reduction in hotspots.<br><br>Where we are in contract, we are working closely with customers to accurately assess their low carbon requirements and increase our capacity to deliver low carbon infrastructure. |
| **2. Market opportunity for increased asset resilience** ST MT | Due to climate change, we are likely to experience an increase in more severe weather events such as intense rainfall, floods, and heatwaves. This will create a demand for infrastructure to be more resilient to changing conditions and to futureproof existing assets:<br>• There is high potential in the water sector – the capacity of sewage systems needs to be increased to deal with additional strains placed on it by rainfall intensity coupled with increased demand.<br>• There is a significant opportunity to enhance the resilience of the highway network, through increased maintenance and modification to improve the drainage capacity or resilience of assets.<br>• There is also an opportunity to incorporate nature-based solutions into infrastructure to improve resilience and provide lower whole life costs. | We continue to build on our expertise in water treatment and sewage capabilities, with our work on AMP8. This will aid Costain in building strategic business partnerships with water companies, further increasing our pipeline of work.<br><br>We continue to build on our work in the roads sector, ensuring that we build our expertise in the resilience of the road network.<br><br>We work closely with our supply chain and clients to deliver solutions to asset resilience issues.<br><br>We are collaborating with partners who have experience of delivering nature based solutions and building our skills and knowledge within our design teams. |
| **3. Increase resource efficiency** ST MT | By enhancing resource efficiency through a circular economy approach, we can minimise our greenhouse gas (GHG) emissions, reduce material use and waste, and lower infrastructure delivery costs. This will, in turn, decrease waste disposal expenses and reduce the overall cost of projects.<br><br>Greater energy and materials efficiency is key to Costain's net zero target and those of our customers.<br><br>Whole life cost efficiencies can be realised through the use of renewable/low carbon energy sources on our projects – both in terms of our own operations and in what we are constructing for our clients in terms of operational energy use. | Our 'production initiative' focuses on ensuring we deliver efficient solutions through design and delivery and drive down the associated GHG emissions.<br><br>We are rolling out a carbon tracker (see page 36) to track resource use across our projects, highlighting areas for improvement in comparison to industry standards.<br><br>Our sustainability procurement guidance and materials mandate encourages the value chain to seek alternatives to high-carbon materials and optimise construction process efficiency.<br><br>We are actively monitoring water consumption and setting reduction targets following the completion of a water usage baseline in 2023. |

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



# Developing Our Climate Transition Plan

In 2024, we commenced the development of our climate transition plan, building on our climate change action plan and the progress we have made to date. We plan to disclose our climate transition plan in 2025 and have followed the Transition Plan Taskforce Disclosure Framework to ensure we cover all relevant areas such as strategy, implementation, governance, engagement and targets. When we disclose our plan we will ensure that it reflects any changes resulting from the incorporation of the Transition Plan Taskforce into the IFRS International Sustainability Standards.

"Our ambition is to decarbonise Costain, achieving net zero for all our emissions and driving the decarbonisation and climate resilience of UK infrastructure, while positively contributing to nature's recovery."

**Alex Vaughan**
Chief Executive Officer

### Our decarbonisation vision

In 2024, we had our science-based targets validated by the Science Based Target initiative (SBTi). These targets see us reaching net zero across everything we do (Scopes 1, 2 and 3) by 2050. The SBTi is an important, globally-recognised measure for standardising and setting ambitious emissions reduction targets in line with the latest climate science. It's a key requirement for our customers across all our sectors.

We understand the challenge in reaching net zero for our supply chain's products and activities (Scope 3), specifically with some materials – concrete, steel, asphalt and aggregates – where the technology or processes needed to decarbonise by 2035 are not available at scale. For this reason, the Board approved management's recommendation to realign our net zero target for our Scope 3 emissions to 2045. There are some elements of our supply chain where, through collaboration, we can move faster, and for these, we are aiming to reach net zero by 2035.

We recognise the climate and nature emergencies and the urgent need to decarbonise more quickly and aim to stay as close to our original 2035 goal as possible. We will not lose momentum, and our commitment and ambition to reduce our emissions even faster remain.

We're committed to developing and implementing low-carbon solutions, and as a business, we are investing in this space through initiatives such as Future Roads and low carbon concrete research groups. We have made good progress in decarbonising traditional construction techniques, enhancing design standards, improving data quality and supporting our supply chain with their ambitions. We are proud members of The Climate Pledge, Supply Chain Sustainability School and have a leading voice in driving change and accelerating the industry's response to Scope 3 emissions.

We are alive to the urgent need to decarbonise the construction industry. We continue to play a leading role in delivering innovative and sustainable infrastructure solutions to accelerate the UK's decarbonisation, improve people's lives and safeguard the planet's future.

### Using scenario analysis to test our transition to net zero

During 2024, we reviewed our progress towards net zero to date, our future net zero projection, the industry's progress towards net zero (specifically for materials), our science-based targets and undertook targeted scenario analysis. The evidence we gathered and tested both internally and with selected strategic suppliers supports the update to our net zero trajectory and reinforces our dedication to achieving net zero and addressing the climate emergency.

We analysed three scenarios, applying the assumption that Costain's business model and service offering remains as it is in 2024 (see pages 16 and 17):

1) The downside case, which assumes a delayed transition (or a 'disorderly transition') where market, economic, and policy drivers mean achieving net zero by 2050 is unlikely
2) The most likely case (or an orderly transition) that limits warming to 2°C through stringent climate policies and innovation, reaching net zero $CO_2$ emissions around 2050. This scenario is compatible with the long-term temperature goal of the Paris Agreement.
3) The upside case, which assumes that market, economic and policy drivers result in widespread industrial decarbonisation, particularly of the energy grid and technologies such as carbon capture and storage, are effective and scalable. This scenario saw Costain achieve net zero by 2045.

### Our net zero targets

In October 2024, the Board undertook a deep dive into the risk of Costain not meeting its net zero targets and considered a proposal to revise Costain's net zero target (net zero by 2035 across all scopes). The Board was convinced by the evidence presented and approved the following targets:

- Achieve net zero for Scope 1 and 2 emissions by 2035.
- Achieve net zero for Scope 3 emissions by 2045.

In line with the update and our improved understanding of our long-term net zero plan, we will be resubmitting our science-based targets in due course to reflect our updated position.

## Sustainability continued

**In 2025 we will disclose our transition plan, which will be embedded into our corporate strategy and sets out our ambition to address the climate emergency. Our transition plan will provide transparency as to how we will achieve our decarbonisation goals.**

The implementation of our transition plan is underpinned by robust governance, risk management and reporting to ensure successful delivery and accountability.

We will embed our transition plan into our financial and business planning to ensure full organisational implementation. This will become part of Costain's sustainable culture, linking to our values of integrity and environmental and social responsibility.


1 We have created a detailed action plan covering our business functions and projects. This plan sets out the actions we will take to decarbonise our internal operations and value chain, covering Scope 1, 2 and 3 emissions.

2 We have identified climate resilience-associated risks and opportunities (see pages 39 and 40) which inform our plan and will enhance our resilience to risks and provide opportunities that arise from climate change.

3 We will use our position and influence to shape an infrastructure eco-system-wide transition. Our collaborative approach will accelerate emission reduction across our value chain to develop and implement low-carbon solutions.

### Metrics

The table below sets out the targets and associated metrics used to assess and manage Costain's relevant climate-related risks and opportunities. These metrics are focused towards carbon reduction and the management of water pollution events (as per the risks and opportunities disclosed on pages 39 and 40).

| Targets | Metrics | 2024 | 2023 |
|---|---|---|---|
| Deliver a >6% year-on-year reduction in our Scope 1 and 2 emissions | Greenhouse gas emissions Scope 1 and 2. This metric is associated with our Sustainability-Linked Loan. | **-8%** | -16% |
| | % of purchased fuel is HVO. | **68%** | 89% |
| Deliver a >6% year-on-year reduction in our absolute emissions | Greenhouse gas emissions Scope 1 and 2. This metric is associated with our near-term Science-based Target. | **-1%** | -6% |
| 100% of relevant contracts working in accordance with PAS 2080 | % of contracts compliant with 2023 low-carbon materials mandate. | **98%** | 67% |
| | % relevant designs and delivery contracts have a carbon baseline and reduction plan. | **100%** | 100% |
| 50% reduction in the water pollution incident rate by the end of 2027 | Water pollution environmental incident rate (no. of water pollution incidents normalised by total hours worked) compared to 2024 baseline. | **0.06** | 0.11 |
| Employees understand their role in helping Costain to meet net zero | Positive responses to Costain's annual employee engagement survey question, 'do you understand your role in helping Costain to meet net zero?' | **69%** | 68% |

### Greenhouse gas emissions

Our emissions data is calculated in line with the GHG Protocol. Costain applies an equity share approach to our GHG emissions boundary and where we operate in a joint venture we account for Costain's proportionate equity percentage of GHG emissions. Our data is third-party accredited by Achilles per the Toitu Carbon Reduce scheme and ISO 14064-1 and 3. All of our emissions are incurred in the UK.

### *Restatement of data

We have restated GHG data from 2021, 2022 and 2023 (see below) in accordance with our accounting and reporting principles to ensure relevance, completeness, transparency and accuracy. The revised numbers are a result of an updated methodology approach within our spend-based SIC allocation, an update to the DEFRA consumption-based emission inventory kg$CO_2$e/£ carbon factors and historical updates to exclude VAT from our spend ledger calculations, previously included in error. These changes exceeded the 5% threshold and formed part of a 2024 review of Costain's historical emissions.

### Emissions intensity (Gross t$CO_2$e divided by turnover)

| | Metric tonnes of $CO_2$e/£m | | | |
|---|---|---|---|---|
| | **2024** | 2023 | 2022 | 2021 |
| Scope 1 | **3.81** | 3.66 | 4.52 | 10.14 |
| Scope 2 | **0.71** | 0.97 | 0.67 | 0.91 |
| Scope 3 | **217.87** | 206.59 | 220.44 | 232.27 |
| **Total** | **222.38** | 208.87 | 225.64 | 243.31 |

### Scope 1 (All direct emissions from the activities under our control)

| | Metric tonnes of $CO_2$e/year | | | |
|---|---|---|---|---|
| | **2024** | 2023 | 2022 | 2021 |
| **Total** | **4,772** | 4,876 | 6,426 | 11,561 |
| kWh | **49,688,260** | 61,422,961 | 62,309,746 | 48,040,659 |

### Scope 2 (Indirect emissions from our purchased and used electricity)

| | Energy/ metric tonnes of $CO_2$e/year | | | |
|---|---|---|---|---|
| | **2024** | 2023 | 2022 | 2021 |
| Metric tonnes of $CO_2$e/year | **888** | 1,299 | 958 | 1,032 |
| kWh | **3,368,323** | 5,542,724 | 4,663,809 | 4,787,774 |
| Location-based t$CO_2$e | **888** | 1,299 | 958 | 1,302 |
| Market-based t$CO_2$e | **193** | 187 | 56 | 1,697 |

### Scope 3

| | Metric tonnes of $CO_2$e/year | | | |
|---|---|---|---|---|
| Emission category | **2024** | 2023* | 2022* | 2021* |
| Purchased goods and services | **262,955** | 264,337 | 302,000 | 253,709 |
| Capital goods | **93** | 15 | 33 | 21 |
| Fuel and energy-related activities | **3,188** | 3,275 | 4,760 | 5,148 |
| Upstream transportation and distribution | **4,350** | 4,668 | 3,259 | 3,099 |
| Waste generated in operations | **566** | 325 | 952 | 1,156 |
| Business travel | **691** | 1,930 | 1,687 | 1,151 |
| Employee commuting | **620** | 579 | 565 | 503 |
| Upstream leased assets | **95** | 52 | 80 | 92 |
| **Total** | **272,558** | 275,181* | 313,337* | 264,879* |

### Total emissions

| | Metric tonnes of $CO_2$e/year | | | |
|---|---|---|---|---|
| | **2024** | 2023* | 2022* | 2021* |
| **Total** | **278,218** | 281,355 | 320,722 | 277,473 |

We provide further detail on our emissions and energy consumption in our sustainability databook / **www.costain.com/sustainability/reports-and-downloads/**

### Our performance

In 2024 absolute emissions reduced by 1% year-on-year but increased by 0.3% compared to our 2021 baseline. However, when normalised by turnover (t$CO_2$e/£m) emissions reduced by 9% compared to our 2021 baseline.

Costain's Scope 1 emissions reduced by 2% year-on-year and by 59% compared to the 2021 baseline year. This reduction has been driven through changes in construction activity, continued high use of hydrotreated vegetable oil (HVO) replacing diesel and further progress in transitioning Costain's company car fleet to EV.

Scope 2 emissions reduced by 32% year on year and by 14% compared to the 2021 baseline, driven by changes to the nature of construction activity in the year (as with Scope 1 emissions).

Scope 3 remains our largest emission source; despite a 1% reduction compared to 2023 we have seen an increase compared to the 2021 base year of 3%.

We account for eight of the 15 scope 3 categories, with purchased goods and services (PG&S) continuing to represent our largest hotspot, making up 96% of Scope 3 emissions. Subcontractor activities, concrete and steel represent a significant portion of PG&S. As such our focus remains on collaborating with our supply chain, setting up low carbon contracts, incorporating more low carbon alternatives and actively promoting a 'use less' philosophy across all of our activities.

Sustainability continued

# Gender and Ethnicity Pay Gap


Delegates of the 2024 Empower programme

Colleagues promoting Costain's involvement in Women in Defence

Equality, equity, diversity and inclusion are central to how we operate as a business. We are committed to maintaining a psychologically safe workplace where all employees are empowered to participate, contribute and challenge the status quo.

Our data-led approach to inclusion uses both quantitative and qualitative data to inform action. Our new HR system continues to improve data accessibility and reporting and we actively create spaces for employee feedback through our employee networks, engagement survey and listening circles.

### Gender pay gap

Despite making progress in recent years our 2024 median gender pay gap increased by 2.2% from 2023 to 26.7% (2023: 24.4%). This is the first increase we have seen in our gender pay gap since 2021.

We believe this increase is related to the increase in women joining the business in the lower quartile, notably through our apprentice and graduate schemes, resulting in an increase in the proportion of women overall and in the lower pay quartile.

We were delighted to be recognised as a Times Top 50 Employer for Gender Equality for 2024 and to be invited by Business in the Community to share our progress and learnings. Key considerations for achieving this accolade include the success of Empower, our programme to tackle barriers to women's progression, improving transparency of reward and career opportunities through our job architecture and career-path framework and our support for women with intersectional identities.

In 2024, we ran the second cohort of our Empower programme and, since the pilot, 24 women have benefitted from the programme. We have since seen three attendees progress onto our Emerging Leaders programme, and five attendees make a lateral or upwards career move. We encourage diverse participation in our development programmes and actively seek to address imposter syndrome which may prevent marginalised groups from applying.

### Ethnicity pay gap

We've seen a 3.9% increase in the median pay gap for Asian colleagues and we believe this increase is due to a reduction in Asian representation in the upper pay quartile by 1.42%. However, we are reporting decreases in our median ethnicity pay gaps by 2.71% for Black colleagues and 2.43% for Mixed Heritage and Other Heritage ethnicity colleagues. This is in part driven by a 1.1% increase in the proportion of Black colleagues in the upper middle pay quartile since 2023.

In 2024 we commissioned the second of our listening circles with employees from different ethnic backgrounds to understand the different experiences in career progression, development, pay and reward. Our listening circle programme has been central to understanding some of the reasons behind our differing ethnicity pay gaps and the development of our 2025 Inclusion Plan.

Costain's integrated gender and ethnicity pay gap report can be found on our website / **www.costain.com/our-culture/equality-diversity-and-inclusion**

## Ethnicity and gender pay gap statistics

| Ethnicity pay gap 2024 | All White | All Asian | All Black | All Other ethnicities |
|---|---|---|---|---|
| Median | n/a | 17.8% | 17.3% | 14.5% |
| Mean | n/a | 16.7% | 24.8% | 17.2% |

| Gender pay gap | 2023 | 2024 | Change |
|---|---|---|---|
| Median | 24.4% | 26.7% | 2.2% |
| Mean | 15.8% | 21.1% | 5.3% |

| Employee population 31 December 2024 | Total | Male | Female | Black | Asian | All Other ethnicities | Unknown ethnicity |
|---|---|---|---|---|---|---|---|
| Number of employees | 3,095 | 2,169 | 926 | 167 | 276 | 73 | 152 |
| Percentage | 100% | 70% | 30% | 5.4% | 8.9% | 2.4% | 4.9% |

### Voluntary reporting on disability

We were delighted to become an accredited Disability Confident Leader, achieving the objectives we set ourselves in our 2021 Inclusion Strategy. This is the highest level of Government accreditation for employers who are actively working to employ and retain disabled talent. To become a Disability Confident Leader requires a third-party validation of evidence, which was carried out by the Business Disability Forum.

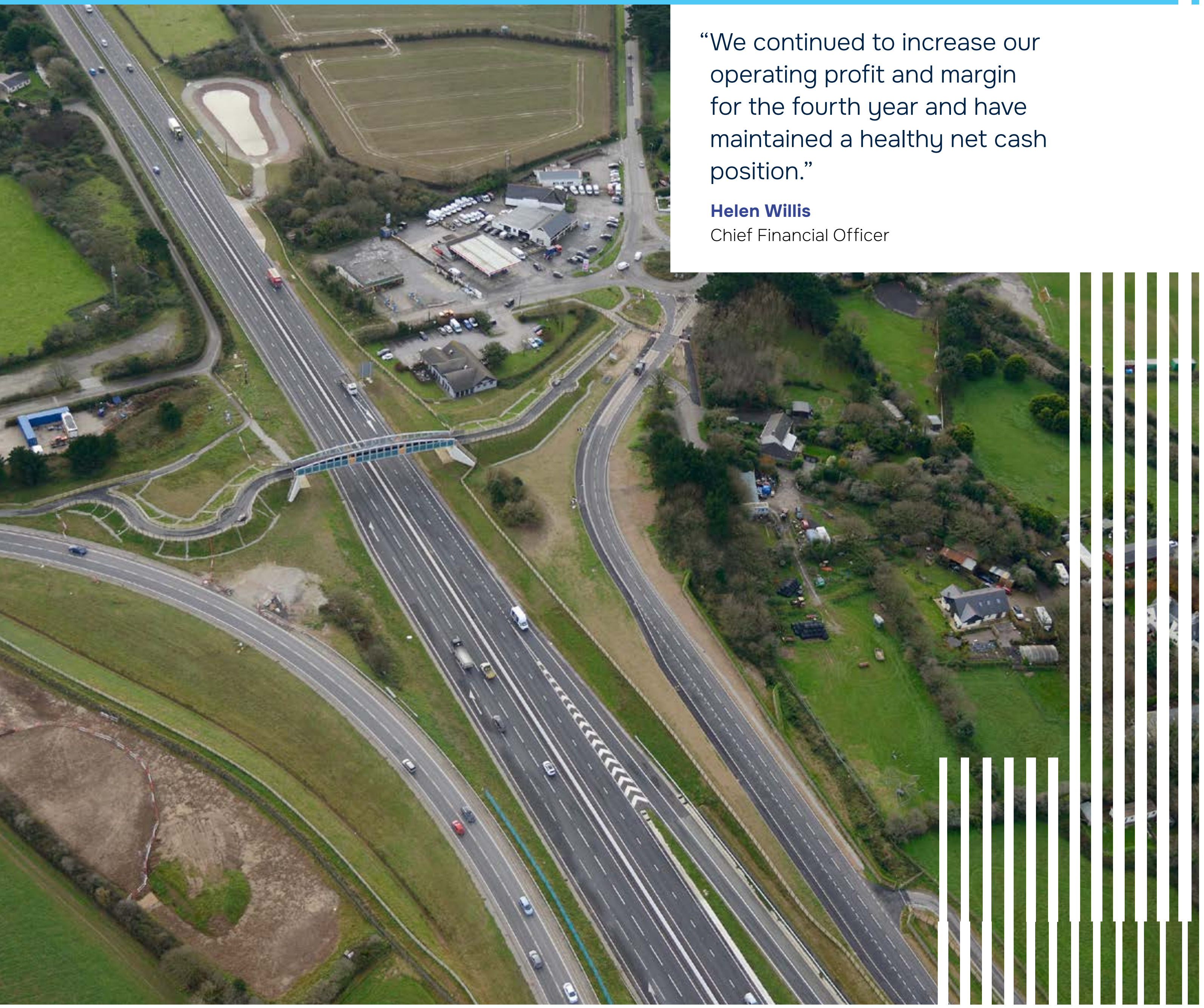
The Business Disability Forum commended Costain for our exemplary dedication to disability inclusion by forging strong relationships with disability employment organisations, embedding inclusivity into our recruitment practices and prioritising accessibility in our digital presence.

As part of our accreditation as a Disability Confident Leader, we are committed to the Government voluntary reporting framework for disability. Our disability reporting can be found in our Sustainability Report on pages 13 and 14 and in our sustainability databook.

**www.costain.com/our-culture/performance-and-reports/**

## Chief Financial Officer's Review

# A good financial performance with a strong increase in our forward work position.



"We continued to increase our operating profit and margin for the fourth year and have maintained a healthy net cash position."

**Helen Willis**
Chief Financial Officer

| | |
|---|---|
| 2024 | £1,251.1m |
| 2023 | £1,332.0m |
| 2022 | £1,421.4m |

**Revenue**

£1,251.1m

| | |
|---|---|
| 2024 | £31.1m |
| 2023 | £26.8m |
| 2022 | £34.9m |

**Operating profit**

£31.1m

| | |
|---|---|
| 2024 | 2.5% |
| 2023 | 2.0% |
| 2022 | 2.5% |

**Operating profit margin**

2.5%

| | Transportation | | | Natural Resources | | | Group | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | Change | 2024 | 2023 | Change | 2024 | 2023 | Change |
| **Revenue £m** | | | | | | | | | |
| Reported | **845.9** | 943.1 | -10.3% | **405.3** | 388.9 | 4.2% | **1251.1** | 1,332.0 | -6.1% |
| **Operating profit £m** | | | | | | | | | |
| Adjusted[1] | **29.9** | 28.0 | 6.9% | **23.8** | 21.8 | 9.2% | **43.1** | 40.1 | 7.5% |
| Adjusting items[1] | **–** | (7.1) | – | **–** | (0.1) | | **(12.0)** | (13.3) | |
| Reported | **29.9** | 20.9 | 43.1% | **23.8** | 21.7 | 9.7% | **31.1** | 26.8 | 16.0% |

The quality and balance of our forward work position across our two divisions, together with continued strong market investment, gives us increasing visibility on future revenue and margin.

### Adjustments to reported items

We incurred £5.4m (FY23: £6.2m) in respect of this final year of our Transformation programme, and £nil (FY23: £7.1m) of restructuring costs. The restructuring costs in FY23 included £5.3m related to an impairment of an intangible asset following the repositioning of digital services. In H2 24 we settled a claim for fire safety compliance related to the design and build of a development which was completed in 2001, and we have identified one other fire safety liability for a building completed in 2013 with a provision created in respect of this.

### Administrative expenses

The Group incurred administrative expenses of £72.2m in FY24, a decrease of £5.8m on the same period last year (FY23: £78.0m). £4.0m of the decrease has been driven by benefits from our Transformation programme, net of cost and wage inflation and incremental investment. £1.3m of the decrease relates to lower adjusting items as discussed above.

### Net financial income

Net finance income amounted to £5.4m (FY23: £4.1m). The interest payable on bank overdrafts, loans and other similar charges was £1.4m (FY23: £2.3m) and the interest income from bank deposits amounted to £6.7m (FY23: £4.8m). In addition, the net finance income includes the interest income on the net assets of the pension scheme of £2.6m (FY23: £3.2m), the interest expense on lease liabilities of £2.5m (FY23: £1.5m) under IFRS 16, and other interest expense of £nil (FY23: £0.1m).

### Cash flow

The Group generated adjusted free cash flow of £27.1m in FY24 (FY23: £72.0m), lower than last year largely due to the timing of year-end working capital and higher tax and capital expenditure payments as we invest in new systems, partially offset by lower pension deficit contributions.

The Group had a positive net cash balance, excluding cash with restrictions, of £158.5m as of 31 December 2024 (FY23: £164.4m; H1 24: £166.0m) comprising Costain cash balances of £95.8m (FY23: £105.2m; H1 24: £96.2m), cash held by joint operations of £62.7m (FY23: £59.2m; H1 24: £69.8m) and borrowings of £nil (FY23: £nil; H1 24: £nil). During FY24, the Group's average month-end net cash balance was £169.8m (FY23: £141.4m; H1 24: £173.9m) and the Group's average week-end net cash balance was £164.3m (FY23: £141.0m; H1 24: £168.2m). Utilisation of the total bonding facilities as of 31 December 2024 was £65.3m (FY23: £69.9m, H1 24: £65.3m).

1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

# Chief Financial Officer's Review continued

## Adjusted free cash flow reconciliation

| £m | FY24 | FY23 |
|---|---|---|
| Cash flow from operations | **41.7** | 69.6 |
| Add back adjusting items | **8.6** | 9.2 |
| Add back pension deficit contributions | **2.0** | 8.1 |
| Less cash flows on cash and cash equivalents – with restrictions | **(14.0)** | (14.1) |
| Less taxation | **(2.2)** | (0.7) |
| Less capital expenditure | **(9.0)** | (0.1) |
| Free cash flow | **27.1** | 72.0 |

## Net cash reconciliation

| £m | FY24 | FY23 |
|---|---|---|
| Cash and cash equivalents at the beginning of period | **164.4** | 123.8 |
| Net cash flow | **(5.9)** | 40.6 |
| Cash and cash equivalents at the end of period | **158.5** | 164.4 |
| Net cash | **158.5** | 164.4 |

## Capital allocation

Costain continues to perform well against its strategic targets and expects to deliver long-term sustainable value for its stakeholders. The Group's capital allocation priorities are: investing for growth, progressive dividend, selective M&A, and returning surplus capital.

- Investing for growth. The Group's Transformation programme, which simplifies and increases efficiencies within the business, was completed during FY24. In FY24, we invested around £5.0m in upgrading our HR system to increase efficiencies within the business and have also invested in office moves. Costain will continue to make disciplined investment in the coming years in key areas such as systems and digitisation that will accelerate its business improvement.
- Progressive dividend. The Board recognises the importance of dividends for shareholders. Dividend payments take into account the cash flow generated in the period, and the potential impact of the "dividend parity" arrangement relating to the defined benefit pension scheme, which continues until 31 March 2027. The Board has a target dividend cover of around three times adjusted earnings, which provides headroom for further dividend growth to achieve the target cover level as and when the dividend parity arrangement is no longer in place.
- Dividend payments. Payments were resumed in FY23 with a full year dividend of 1.2p per share for the year, in line with the pension payments level under the dividend parity arrangements. The Board has proposed a final dividend of 2.0p per share (H2 23: 0.8p) for the six months ended 31 December 2024, an increase of 150% for the final FY24 dividend, and an increase of 100% for the year.
- Selective M&A. The Board retains optionality to pursue strategic investments in technology, skills and capabilities to enhance our ability to support customers.
- Returning surplus capital. After ensuring a strong balance sheet and cash position, identified surplus capital will be returned to shareholders through share buybacks or special dividends. The current outlook and trading across Costain's markets is encouraging and is supportive of our strategy. In August 2024, we announced having reviewed the Group's strong cash performance and ongoing capital requirements, an on-market share buyback programme for up to a maximum aggregate consideration of £10m (excluding stamp duty and expenses). This programme was completed in November 2023 and purchased 9,718,950 Ordinary Shares in aggregate for cancellation.

## Tax

The Group has a tax charge of £5.9m (FY23: £8.8m) giving an effective tax rate of 16.2% (FY23: 28.5%). The adjusted effective tax rate[1] was 18.3% (FY23: 24.2%). The lower than expected tax rate was due to the ongoing tax relief on the exercise of share-based payments, together with a revised treatment of the 2023 impairment. We expect the effective tax rate in 2025 to remain marginally below the blended statutory tax rate of 25%.

## Pension review

On 30 June 2023, we announced that agreement had been reached with the Trustee of the Group's defined benefit pension scheme on the 31 March 2022 triennial actuarial funding valuation and ongoing contributions to the Scheme. The contribution plan from the Group to the Costain Pension Scheme runs from 1 July 2023 to 31 March 2027 and is for a payment of £3.3m per year, payable in monthly instalments, scheduled to increase in line with inflation (CPI) each 1 April.

An assessment of the Scheme funding position was carried out on 31 March 2024 and, as the funding level (on a Technical Provisions basis) was more than 101%, contributions stopped from 1 July 2024 to 30 June 2025.

In addition to contributions being stopped, as the funding level is above 101%, 'dividend parity' was suspended for a year. Under the dividend parity arrangement, an additional matching contribution (the excess of the total dividend above the Scheme contribution) is paid to the Costain Pension Scheme when the total of the interim and final dividends (or other return of capital such as a buyback) is greater than the contributions paid into the Scheme in the previous Scheme financial year, which runs from 1 April to 31 March.

## Consultancy

During FY24 we had 12% of revenue deriving from our three areas of consultancy services: delivery partner, engineering & design services, and advisory & digital solutions, with the majority of revenue within consultancy arising from delivery partnerships. Consultancy services are included within our two divisional revenue streams and have higher than average Group adjusted operating margins.[1]

## Pensions

Cash contributions made to the scheme during FY24 amounted to £2.0m (FY23: £8.1m) and the charge to operating profit in respect of the administration cost of the UK Pension Scheme in FY24 was £0.2m (FY23: £0.2m).

As at 31 December 2024, the Group's pension scheme was in surplus in accordance with IAS 19 at £54.9m (FY23: £53.5m surplus; H1 24: £55.1m surplus). The movement in the IAS 19 valuation, being a slight increase in surplus from 31 December 2023 to 31 December 2024, was due to a change in discount rate assumptions resulting in a decrease in benefit obligations.

## Transformation programme

Our Transformation programme, which simplifies and increases efficiencies within the business was largely completed during FY24, having delivered adjusted operating profit[1] and adjusted operating margin[1] uplift during the year, as well as enabling disciplined investment in business improvement activities.

**Helen Willis**
Chief Financial Officer

10 March 2025

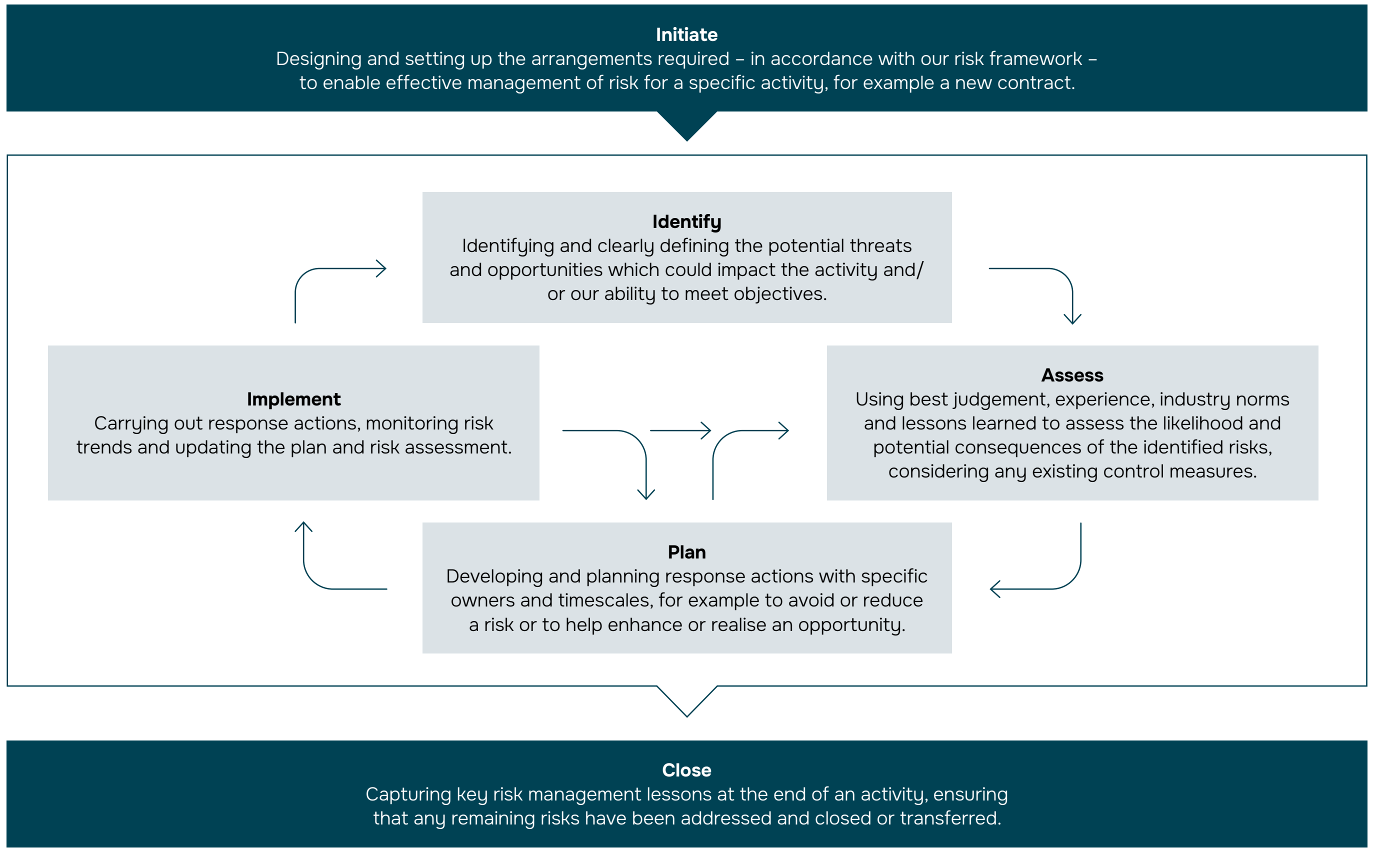
1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

# Risk Management

## Our risk management process

The timely and thorough evaluation of risk is central to our business decision-making, and our approach is designed to ensure risks of all categories are identified, fully understood, and actively managed to protect our business, our people and the value we deliver for our customers.

Our process applies at all levels, from individual project risks to our Group-level principal risks. This approach ensures that risks are considered throughout the lifecycle and that learning from our operational activities supports continuous improvement.




## Managing risk through the contract lifecycle

Risk management is central to the work we deliver for our customers, and in particular our construction project activities, where our teams manage a broad range of risks including those related to design maturity, approvals and consents, existing asset condition and the performance of third parties. Our lifecycle governance and risk management arrangements aim to ensure that we identify and explore potential risks early, make bid decisions based on our risk appetite, set our contracts up for success, and deliver our commitments to our customers.

### Work Winning

Our work winning governance includes early screening to identify key areas of risk, and to ensure that we pursue opportunities which align with our risk appetite. This approach also ensures that higher-risk activities and contract types receive enhanced assurance so that risks are properly understood, and mitigation strategies are robust. Risk analysis is used to ensure our pricing and delivery plans recognise the risks we're taking on so that we have confidence in the commitments we make to customers.

### Delivery

Management of risk (including SHE, design, technical, supplier and third-party risks) is a central part of how we deliver our projects, with ongoing monitoring of risk response and changes in risk profile, integrated with other project controls activities. Risk-based assurance of our contracts is performed by our Internal Audit and 2nd line of defence functional teams, providing an independent view of risk status and ensuring learning and good practice is shared across our sectors.

### Close

When a project is closed, our teams ensure that measures are in place to manage any residual risks, and lessons and performance data are captured for use in planning future projects.



## Enhancing risk management capability

During 2024, we increased our Risk and Assurance team's capacity to support work winning and in-flight contracts in designing fit for purpose risk management arrangements, evaluating risks and conducting specialist risk modelling. This has helped to ensure that risks are being considered early in the contract lifecycle, key skills and resources are built into plans from the outset, and our in-flight contracts continue to meet required standards.

Looking ahead, our key priorities include embedding updated processes across our bids and contracts, enabled by new risk management systems to simplify data capture, review and reporting. We will also continue to build risk awareness and embed improvements through dedicated training programmes and our existing risk community of practice.

## Risk appetite and attitude

The Group's risk appetite is aligned with our strategy, ensuring we continue to deliver predictable performance and pursue growth in key markets. The Board's attitude to key categories of risk is set out in the table below. This is underpinned by clearly defined red lines and risk factors, which are used to evaluate risk through our contract lifecycle governance, ensuring that decisions are made in accordance with our risk appetite.

| Risk category | Appetite | Attitude statement |
|---|---|---|
| Safety, health and environment | Zero | We have no tolerance for harm to our people or partners, and will continually seek to reduce these risks and avoid any detrimental impact on the environment. |
| Markets, customers and partners | Open | We are willing to consider a range of potential markets to achieve success in line with our strategy. We work with customers with long-term investment plans with whom we can build strategic relationships and secure repeat orders. We will partner with organisations which supplement our capability with new skills and share our values. |
| Contract | Cautious | While our contracts contain significant risks, we will ensure these risks are well understood, provisioned for and manageable. We will only accept contracts where there is high confidence in achieving the target margin. |
| Technical | Cautious | We are prepared to accept performance and integration risk provided additional technical assurance is implemented to ensure this is effectively managed. Our projects are delivered in accordance with nationally recognised codes and technical standards. |
| Investment | Cautious | We will invest in developing solutions or building capability where there is a clear addressable market demand aligned with our business plan. |
| Information security | Minimal | We will protect our systems, our data and our customers' data to ensure we minimise the risk of disruption to operations and prevent uncontrolled access to information. |

## Governance

The Board is responsible for defining risk appetite and determining the nature and extent of the risks the Group is willing to take to achieve its long-term strategic objectives. On behalf of the Board, the Audit and Risk Committee reviews the effectiveness of the Group's risk management and internal control systems every year. The process for doing this is set out in the Audit and Risk Committee Report on pages 86 to 90.

To undertake a robust assessment of the risks which could threaten the business objectives, performance, sustainability, solvency or liquidity of Costain, the Board undertakes reviews of our principal risks and mitigation plans during the year to ensure they are well understood and actively managed to reduce the potential impact. The Board oversees risk deep dives and receives presentations on these from the Executive Board risk owner.

# Risk Management continued

## Principal risks

All principal risks are integrated with our strategic priorities. A formal biannual review of risks by the Board is aligned to half-year and year-end reporting. Each principal risk is owned by a member of the Executive Board, and discussions are held with risk owners throughout the year to ensure each risk remains up to date and that control effectiveness and progress on mitigation actions are reviewed. The detailed assessment for each risk reflects changes to contributing factors and in the external risk landscape, and plans for 2025 include updates to reflect a number of identified emerging risks.

The table below sets out the principal risks faced by the Group, the link to our strategic priorities, changes in the risk during 2024 (where applicable), along with relevant controls and mitigations.

| Risk | Description and impact | Key controls and mitigations | Strategic Link |
|---|---|---|---|
| **Safety, health and environment** | We operate in natural, complex and hazardous environments. Failure to manage the inherent risk and hazards could result in illness, injury or loss of life. Failure to manage this risk could also affect our reputation and result in loss of business and financial penalties.<br><br>While some of our operational activities involve significant hazards, we continue to strive to reduce these risks and prevent any potential for harm to our people or to third parties.<br><br>Risk trend: Neutral ↔<br><br>Early identification of potential environmental risks during work winning is helping to ensure we incorporate required controls into delivery plans. Growth in key sectors will require the consistent application of our existing, robust health and safety controls with new teams and supply chain partners. | • Safety, health and environment (SHE) policy, procedures and guidance combined with monitoring and assurance.<br>• The Costain behavioural safety programme.<br>• Mandated accident and near miss reporting and embedding of lessons learned.<br>• SHE assurance review process aligned with the learning organisation model used throughout delivery and during bid development to ensure key risks are identified and appropriate mitigation measures are in place.<br>• Full consideration of environmental aspects earlier in the work winning process covering: technical design review and approvals, updated during mobilisation and monthly operational review.<br>• Reporting of environmental incidents and near misses to ensure lessons learned.<br>• Identification of measures to build upon and further improve environment behaviours. | |
| **Securing work and responding to changes in customer spending plans** | Our future growth and profitability is dependent on our ability to secure new work in our competitive marketplace. To be successful we need to maintain strong customer relationships and broaden our service offering by delivering innovative solutions across complex delivery, digital and consulting activities. Unforeseen changes to our core customers' investment priorities and spending plans could have a direct impact on both live contracts and our future pipeline.<br><br>Risk trend: Neutral ↔<br><br>Significant success in securing new work during 2024, combined with progress in diversifying our order book have helped to increase our resilience to external changes and ongoing geopolitical conditions. | • Directors' quarterly progress review of Group and divisional business plan, budget and objectives.<br>• Integrate market intelligence, data analysis, reviews and bid learning to improve and better target work-winning activities.<br>• Continual review and update of customer pursuit/account plans based upon latest market intelligence.<br>• Implement improvements to work-winning process including budgeting, opportunity prioritisation and clarity on deliverables for gate approval.<br>• As part of the annual strategy review process, changes in markets and customer landscape are analysed, particularly in growth and fast-changing customers and markets. Strategy leads embedded within both divisions and Group to drive this analysis and ensure continuous horizon scanning, managing changes to strategy and business plan, along with emergent risks and opportunities to Costain and any threats (e.g. competition, customer organisation change).<br>• Business development teams at sector and key account level maintaining good customer and stakeholder relationships at all levels.<br>• Customer zipper (stakeholder relationship map) plans in place to shape relationships with government, local authorities and trade bodies from Board downwards.<br>• Strengthening our customer mix and exploring potential new market areas to increase resilience to changes in specific areas. | |
| **Managing our contracts and economic factors** | The contractual environment is becoming more complex with significant pricing competition while customers seek to transfer more risk to contracting parties. Onerous contract terms and conditions can result in exposure to potential financial losses, legal penalties and reputational damage. In addition, changes in the cost and availability of key materials, plant and fuels, along with other factors including exchange rates, trade arrangements and regulations can impact our delivery and financial performance.<br><br>Risk trend: Neutral ↔<br><br>Measures introduced early in 2024 to strengthen protection in our contracts from external factors such as inflation have reduced our exposure to this risk (reported as 'increasing' in 2023). | • Commercial review process which examines in depth the performance of all contracts to assess progress in achieving our strategic objectives.<br>• Early risk profiling of opportunities to ensure key contract risks are identified and bid decisions are aligned with risk appetite.<br>• Updated contract reviews form part of work-winning governance to ensure robust management of contract risks.<br>• Technical, design and estimate reviews as part of work winning process.<br>• Assessment of sensitivity to key economic factors including inflation and materials availability during proposal development, ensuring that appropriate measures are incorporated into contracts to protect the business from future volatility.<br>• Monthly financial contract and account reviews.<br>• Ongoing monitoring of supplier performance and invoicing cost trends.<br>• Centralised procurement of materials and goods sourced from outside the UK to ensure an optimised approach to managing exchange rate movements and external effects on materials supply. | |
| **Project set-up, mobilisation and delivery** | Working with our customers, we manage some of the most complex and challenging infrastructure projects in the UK, and this relies on rigorous planning, risk management and execution in delivery. Failure to effectively plan, mobilise and manage these complex projects can result in delays, impacting our customers and our market reputation for delivery excellence.<br><br>Risk trend: Neutral ↔ | • Robust planning, estimating and risk identification and analysis during proposal development to form a stable, deliverable baseline for delivery.<br>• Compliance with all aspects of the technical and design gate approvals.<br>• Launch mobilisation capability to ensure readiness for delivery, resource requirements and systems prerequisites are addressed promptly.<br>• Formal contract closure process to ensure that all aspects of work are complete.<br>• Launch and deploy the integrated project controls capability for all complex delivery projects.<br>• Contract management gates and change control processes. | |
| **Procurement and supply chain performance** | A significant proportion of our work is delivered through our supply chain, and supplier selection and performance are therefore critical to our ability to fulfil our commitments to our customers. Issues with supplier resourcing, product quality or performance can adversely affect project delivery, contract performance and our reputation.<br><br>Risk trend: Neutral ↔<br><br>Standards, processes and governance for supplier selection, performance monitoring and onboarding have been strengthened, with benefits expected to be realised from 2025 onwards. | • Procurement process for evaluating potential options and selecting the appropriate supplier.<br>• Enhanced standards for monitoring supply chain performance.<br>• Continued drive on prompt payment of supplier invoices.<br>• Launch new 'How to Buy' process covering end-to-end lifecycle of supply chain activities.<br>• Revised Supplier Code of Conduct.<br>• Implementation of improved procurement schedule and demand planning.<br>• Early development of supply chain strategy within work winning process. | |

Link to strategic priority

People Planet Performance

## Risk Management continued

| Risk | Description and impact | Key controls and mitigations | Strategic Link |
|---|---|---|---|
| **People: attracting, developing, and retaining talent** | The successful implementation of our strategy is dependent on our ability to attract and retain the skills and experience required to deliver our portfolio of work, lead specialist teams and continue to grow our market share. In an increasingly tight skills market, we have continued to focus on improving our understanding of future skills needs and on improving the Costain offer. We also recognise that developing skills and experience is essential in delivering our current and future needs, building resilience and providing development opportunities for our people. Failure to invest in these matters would hamper our growth, reduce employee engagement and increase attrition, impacting costs and performance.<br><br>Risk trend: Increasing ↑<br><br>Growth in key sectors has increased demand for talent, while available skills and resources remain constrained both locally and nationally. We increased the size of our graduate intake in 2024 and are investing in upskilling and targeted development programmes alongside recruitment to meet demand. | • Strengthening of workforce planning including longer-term demand forecasting for key skills aligned with Group and divisional business plans.<br>• Development and implementation of a new people system to underpin a more candidate-led automated experience, while improving efficiency and effectiveness of the attraction, recruitment and on-boarding processes.<br>• Career path framework, supporting recruitment and providing greater visibility of development paths across job families.<br>• Learning and development curriculum and targeted development programmes for core skills and emerging leaders. Clear total reward strategy, regular review, and external benchmarking of our offer, ensuring we keep pace with market requirements.<br>• Targeted enhancement to talent management and development in key functions to increase mobility and visibility of opportunities.<br>• Employee communication and engagement channels and forums – listening and acting on feedback. | |
| **Financial resilience: maintaining a strong balance sheet, access to banking facilities and managing our legacy pension scheme** | A strong balance sheet is a prerequisite for many of the opportunities we pursue and the contracts we deliver for our customers. Failure to manage the legacy defined benefit pension scheme (so that the liabilities are within a range appropriate to our capital base) could also adversely impact our balance sheet.<br><br>Risk trend: Reducing ↓<br><br>Healthy financial performance, a strong balance sheet and good relationships with our banks, alongside the appointment of a professional sole pension trustee have helped to improve this risk during 2024. | • Monthly business review to monitor status of all contracts and ensure performance is aligned with expectations.<br>• Quarterly profit and cash forecast produced for current and following fiscal year including monitoring of covenant compliance and cash headroom and liquidity.<br>• Ensuring alignment of customer and supply contract payment terms to support effective control of working capital.<br>• Development of three-year investment for critical unlocks (digital tools, capabilities) to support business plan.<br>• Regular monitoring, in conjunction with the trustee, of asset performance, pensions regulations, Company covenants, scheme funding and liability management.<br>• Appointment of professional sole pension trustee to manage legacy pension scheme, providing greater clarity on investments and market conditions. | |

Link to strategic priority

People Planet Performance



| Risk | Description and impact | Key controls and mitigations | Strategic Link |
|---|---|---|---|
| **Information security: systems disruption and data protection** | Our work is enabled by safe, secure and resilient operating systems. Disruption to these systems, for example as a result of an outage or a targeted cyber-attack, would impact our ability to continue our normal operational activities efficiently. Unauthorised disclosure of Costain, customer or third-party data could result in financial penalties, loss of competitive advantage or reputational damage.<br><br>Risk trend: Increasing ↑<br><br>As in 2023, the frequency and sophistication of cyber-attacks continues to increase. | • Maintaining Cyber Essentials Plus (CE+) and ISO 22301 (Security and Resilience) accreditation.<br>• Costain information security strategy integrates information systems, personnel and physical aspects in order to prevent, detect and respond to information security threats and data loss.<br>• Continual focus on improving cyber resiliency in technology and people, improving our security education, training and awareness (SETA).<br>• Ensuring all employees comply with mobile device management platform requirements.<br>• Develop early engagement and awareness of Costain security and Information systems requirements with work winning team.<br>• Conduct data discovery and scanning audit across the business.<br>• Review and update as necessary our system configuration assessments and Automatic Information Protection protocols. | |
| **Climate change and sustainability** | Protecting our planet is one of our strategic priorities. Failure to deliver on our Environmental, Social and Governance (ESG) targets, could damage our reputation in the eyes of our employees, customers and other stakeholders. Our operational activities and contract performance could also be impacted by future changes in climate, and an increase in the frequency of major weather events in the UK.<br><br>Risk trend: Neutral ↔<br><br>We reset our climate change action plan in 2024 to reflect current UK Government policy, industry progress, and recognise the external factors which will influence our path to reducing Scope 1, 2 and 3 emissions (see pages 36 to 40 for details). | • Annual strategy and business planning cycle – functional business plans reviewed for alignment with climate change action plan.<br>• Greenhouse gas (GHG) emissions baseline set for in-flight operations.<br>• Embedding sustainability assurance into work-winning governance and proposal development.<br>• Assessment of the potential contractual impact of weather event delays, ensuring adequate provision and/or protection is incorporated into agreements.<br>• Consideration of climate change impact on materials, assets and product life as part of technical design process and gate approvals.<br>• Climate risk and ESG awareness training for all senior managers.<br>• Develop GHG reporting dashboards. | |
| **Delivering the benefits of our Transformation programme** | Our Transformation programme was undertaken to make changes to Costain's organisation, processes and systems, which are critical to increasing profitability and resilience, as well as provide a platform for growth. Failure to manage dependencies between concurrent workstreams, embed changes effectively and/or realise the required benefits could impact our ability to deliver our planned strategy, operating results, and shareholder value.<br><br>Risk trend: Reducing ↓<br><br>Changes made through Transformation have improved our organisation, starting from the clarification of our vision and strategy, through to improvements to our business and operating models. The Transformation programme has now achieved and exceeded our original financial and non-financial targets, strengthening the organisation and supporting our continued growth. While the programme was closed at the end of 2024, we continue to make improvements as part of our business-as-usual activities. | • Dedicated governance and gated approvals process including alignment with our change framework.<br>• Transformation Steering Committee responsible for reviewing and approving new requests for change, and amendments to the existing scope of initiatives.<br>• A central management office to coordinate transformation efforts and monitor progress against an integrated transformation plan.<br>• Sequencing of initiatives to reflect the capacity to manage and absorb change.<br>• Benefits realisation plan in place for all initiatives.<br>• Embed a post close-out review of benefits attained by the projects.<br>• Produce a Transformation programme close out report. | |

Viability Statement

# Viability statement and going concern assessment

## Assessing the Group's prospects

The Group's prospects are assessed through the annual strategic planning process, which involves the creation of five-year divisional business plans which are reviewed in detail by the Executive Board.

To create these plans, each division assesses external factors – market spend and emerging trends, regulatory environment, legislative spend, strategic national needs and our customers' business plans, and internal factors – including capability, skills, technology and thought leadership.

This results in a set of objectives and a clear implementation plan, considering known and emerging risks and opportunities over a broader horizon. This includes a five-year financial plan, with strategic objectives including targets for key accounts and strategic campaigns, resourcing and skills planning as well as research and development activity to support our customers to address complex infrastructure challenges.

The Board scrutinises and monitors the strategic and financial plans.

## Assessing the Group's viability

While the Group has a five-year strategic planning horizon, our order book visibility is stronger over the medium-term period and our implementation workstreams are focused on the more immediate term. Therefore, the directors believe that an appropriate period to consider the Group's viability is over three years to December 2027.

The directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to September 2026 and that the Group would either renew the facility thereafter or have sufficient time to agree an alternative source of finance, on terms which are broadly consistent with the current facility for the remainder of the three-year period assessed.

The assessment of viability has been made considering the Group's principal risks (as outlined on pages 52 to 55). The directors consider the likelihood of all these risks crystallising together to be remote and have therefore tested scenarios where a number of these risks materialise together in a plausible, but severe and prolonged combination. These downside scenarios reflect a combination of circumstances, including the potential impact of a significant decline in activity resulting from an inability to secure new work within the estimated work to be obtained and or deliver it at improved planned margins, the impact of a major safety incident or data breach and associated fines, the impact of a working capital decline, the loss of key management and inability to recruit the right capabilities, and a change in Government policy impacting investment and procurement programmes.

The main focus has been the impact of these downside scenarios on the Group's ability to comply with the leverage, interest and liquidity covenants as set out within its banking facilities, not the absolute value of net debt since, as evidenced by a reverse stress testing of each of the covenants, the Group maintains a significant cash headroom to absorb any further unforeseen losses.

In the event that the risks modelled in the severe but plausible downside scenarios were to materialise together, the Group would be able to continue operating within its covenants and the Group's credit facilities would not be exhausted.

## Viability statement

In accordance with Corporate Governance Code 2018 Provision 31, the directors have assessed the prospects of the Group over a longer period than the 12 months required by the 'Going Concern' provisions. Based on the results of this analysis, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 December 2027.

## Going concern

The Group's going concern statement is detailed in note 2 of the consolidated financial statements on page 145.

## Strategic Report

Our 2024 Overview and Strategic Report on pages 1 to 57 have been reviewed and approved by the Board of directors and signed on its behalf by

**Nicole Geoghegan**
Company Secretary

10 March 2025

## Non-financial and sustainability information statement

Our reporting is compliant with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters. This is in addition to the reporting we already do under the Carbon Disclosure Project (CDP) and the Global Reporting Initiative.

### Policy

**1 Board diversity and inclusion**
This policy sets out the chair and Board of directors' commitment to maintaining a diverse and inclusive Board, leading by example and setting the expectation that the Group operates inclusively and continues to invest in diversity. The owner of this policy is the chair.

**2 Business continuity management**
The principles which are to be adopted to ensure business continuity across the Group are set out in this policy. The Executive Board sponsor for this policy is the chief financial officer.

**3 Collaborative working**
This policy sets out the approach that Costain management shall take to ensure a collaborative working environment is maintained and relationships reflect the requirements of ISO 44001:2017 Collaborative Business Relationships. The Executive Board sponsor for this policy is the Group commercial director.

**4 Drugs and alcohol**
This policy is a declaration of the Board's intent to provide a safe and healthy working environment, free from inappropriate use of alcohol and drugs in all Costain undertakings. The Executive Board sponsor for this policy is the chief executive officer.

**5 Environmental**
This policy sets out our approach to environmental management, going beyond minimising harm to the environment and sets out the proactive requirements of how our people must work to meet our ambition to be net zero carbon by 2045. The Executive Board sponsor for this policy is the chief executive officer.

**6 Ethical business conduct**
Bribery prevention, fair and open competition, insider dealing prevention, fraud prevention, receipt of gifts and hospitality, and whistleblowing are all covered by the Costain ethical business conduct policy. The Executive Board sponsor for this policy is the general counsel and company secretary.

**7 Health and safety**
This policy protects all our stakeholders, including customers, colleagues and suppliers, going beyond our statutory duties and responsibilities. The Executive Board sponsor for this policy is the chief executive officer.

**8 Modern slavery and human trafficking**
This policy specifies the mandatory conditions of employment and contractual conditions for our suppliers in respect of human rights. The Executive Board sponsor for this policy is the chief people and sustainability officer.

**9 People**
The Costain people policy encompasses recruitment, development, reward, diversity and inclusion, health and wellbeing, compliance with labour/employment and data protection laws and regulations, wherever we work. The Executive Board sponsor for this policy is the chief people and sustainability officer.

**10 Social value**
This policy sets out the Board's expectation for how the Company, its employees, partners and suppliers undertake social value in alignment with Procurement Policy Note 06/20 themes. This policy encompasses Costain's approach to social value and transparency in our reporting. The Executive Board sponsor for this policy is the chief people and sustainability officer.

**11 Sustainable procurement and supply chain**
The Costain sustainable procurement and supply chain policy stipulates the conditions of all procurement activity, aligning outcomes to our ESG commitments and business strategy. The Executive Board sponsor for this policy is the chief financial officer.

### Environmental, Social and Governance (ESG) and risk management reporting requirements and additional information

**Environmental** 5 10 11

Our ESG programme / **pages 34 and 35**

Taskforce on Climate-related Financial Disclosures/ **pages 36 to 43**

Climate change action plan / **www.costain.com/sustainability/environmental/**

**Employees** 1 3 4 6 7 8 9 10

Our ESG programme / **pages 34 and 35**

Board composition and diversity / **pages 70, 78 and 79**

Gender and ethnicity pay gap / **pages 44 and 45**

**Human rights** 6 7 8 9 10 11

Supplier code of conduct / **www.costain.com/suppliers**

Modern slavery statement / **www.costain.com/modern-slavery-transparency-statement**

**Social matters** 4 8 9 10 11

Our ESG programme / **pages 34 and 35**

Our Sustainability Report 2024 / **www.costain.com/modern-slavery-transparency-statement**

**Anti-corruption and anti-bribery** 6 8 10 11

Supplier code of conduct / **www.costain.com/suppliers**

**Policy embedding, due diligence and outcomes**

Risk Management / **pages 50 to 55**

**Description of principal risk and impact on the business**

Risk Management / **pages 50 to 55**

**Description of business model**

Business model / **pages 16 and 17**

**Non-financial KPIs**

KPIs / **page 31**

## Board of Directors

# Dynamic and effective leadership

Audit and Risk Committee | Nomination Committee | Remuneration Committee | C Chair

## EXECUTIVE DIRECTORS

### Alex Vaughan
FRICS, FICE
Chief Executive Officer

**Appointed**

Alex was appointed to the Board as CEO in May 2019.

**Skills and Competencies**

Alex has worked in the infrastructure industry for more than 30 years and has extensive experience across programme delivery, private finance, operations and business leadership.

Alex joined Costain in 1992 and has been a member of the Executive Board since 2006. Before becoming CEO, Alex played a significant role in Costain's transformation into a leading infrastructure solutions business through his leadership of the development and growth of the Group's consultancy services. In his role as managing director, Natural Resources, Alex delivered significant growth in profit and margin. Alex is a qualified chartered quantity surveyor, has worked on infrastructure projects in the UK and internationally, and held various corporate roles across HR, strategy, M&A and corporate development. In 2009 he completed the Harvard Business School Advanced Management Program.

**External Appointments**

- Member of the Business in the Community Leadership Council.

### Helen Willis
ACA
Chief Financial Officer

**Appointed**

Helen was appointed to the Board as CFO in November 2020.

**Skills and Competencies**

Helen has a strong financial background underpinned by her profession as a chartered accountant. She is an experienced public company chief financial officer with a high level of understanding of investor relations and change programmes, including in organisations undergoing periods of strategic change. Helen has also driven finance transformation programmes to significantly improve processes, systems and culture. She has worked in multiple sectors and is highly commercial, able to balance both short and long-term goals, develop strategic options and contribute broadly to the business. Prior to joining Costain, Helen held roles as chief financial officer of De La Rue and Premier Farnell. She has also held senior finance roles at Pelican Rouge, AZ Electronic Materials and HSS Hire.

**External Appointments**

None

## NON-EXECUTIVE DIRECTORS

C

### Kate Rock
Non-Executive Chair

**Appointed**

Kate was appointed to the Board in November 2022 and became chair of the Board and chair of the Nomination Committee in December 2022.

**Skills and Competencies**

Kate is an experienced non-executive director with a background in corporate communications and strategy and brings a strong understanding of the construction contracting sector, the application of innovation and technology to drive productivity enhancements, and of government. Baroness Rock is senior independent director at Keller Group plc (see below) and formally a non-executive director and chair of the remuneration committee of Imagination Technologies plc. She was, until January 2023, a member of the House of Lords Select Committee for Science and Technology and a board member of the Centre for Data Ethics and Innovation.

**External Appointments**

- Keller Group plc; senior independent director and non-executive director with responsibility for workforce engagement.
- The Royal Countryside Fund; trustee.

C

### Tony Quinlan
ACA
Senior Independent Director

**Appointed**

Tony was appointed to the Board in February 2021, became chair of the Audit and Risk Committee in May 2021 and senior independent director in January 2022.

**Skills and Competencies**

Tony is a chartered accountant with a wealth of financial experience gained during multiple senior roles in high profile large companies and as a chair of audit committees. He also brings to the Board his business turnaround experience from his time as CFO then CEO at Laird. Tony possesses the recent and relevant financial experience in accounting and auditing required. Tony was previously chief financial officer of Drax Group, held senior finance roles at Marks & Spencer and was senior independent director and chair of the audit committee for the Port of London Authority and non-executive director of Associated British Ports.

**External Appointments**

- Hill & Smith Holdings PLC; senior independent director and chair of the remuneration committee.
- Laird Thermal Systems (Adparatus GmbH); chair and advisory board member.

### Amanda Fisher
Independent
Non-Executive Director and Workforce Engagement Director

**Appointed**

Amanda was appointed to the Board in December 2023 and became workforce engagement director in March 2025.

**Skills and Competencies**

Amanda was CEO of Amey, the engineering and infrastructure company, from 2019 until 2022. With considerable expertise in transportation, infrastructure and defence, Amanda restructured the business, redefining the strategy, building strong client relationships and improving contract risk and performance, leading to its successful sale in 2022. Prior to Amey, Amanda held two managing director positions at Balfour Beatty plc, improving their market share in key sectors, and held a senior management position at the construction firm, Alfred McAlpine. Amanda is a passionate advocate for ESG including diversity and inclusion.

Following the Board evaluation carried out in 2024 Amanda was appointed as the dedicated workforce engagement director. See page 66 for more details.

**External Appointments**

- University of Plymouth; independent external governor.

C

### Fiona MacAulay
Independent
Non-Executive Director

**Appointed**

Fiona was appointed to the Board in April 2022 and became chair of the Remuneration Committee in May 2022.

**Skills and Competencies**

Fiona is an experienced non-executive director and remuneration committee chair within the resources and industrial sectors including upstream oil and gas. Fiona has extensive experience in ESG, has completed Diligent's Climate Leadership Program and is a member of Chapter Zero, a community of business leaders taking ownership of the climate challenge. Fiona has experience in operations, large programmes, stakeholder and global supply chain management from BG Group, Mobil, Rockhopper Exploration and Echo Energy. Fiona is a past president of American Association of Petroleum Geologists Europe.

**External Appointments**

- Ferrexpo plc; senior independent director and chair of the remuneration and ESG committees.
- Chemring Group PLC; senior independent director.
- Dowlais Group plc; non-executive director.

### Steve Mogford
Independent
Non-Executive Director

**Appointed**

Steve was appointed to the Board in November 2023.

**Skills and Competencies**

With a firm commitment to ESG, Steve is an experienced executive and non-executive director with extensive expertise in water and defence, together with experience of contracting and complex joint ventures. Steve was chief executive officer of United Utilities Group PLC from 2011 until March 2023 and led significant growth during that period. During 30 years at BAE Systems Plc, Steve held various senior positions before being appointed chief operating officer and a member of the board. Steve was previously senior independent director of G4S plc.

**External Appointments**

- QinetiQ plc; senior independent director.
- Intertek Group plc; non-executive director.

## Executive Board

# Running the business

### Alex Vaughan
FRICS, FICE

Chief Executive Officer

**Appointed**

Appointed in May 2019.

**Skills and Competencies**

For more information please go to page 58.

**External Appointments**

For more information please go to page 58.

### Helen Willis
ACA

Chief Financial Officer

**Appointed**

Appointed in November 2020.

**Skills and Competencies**

For more information please go to page 58.

**External Appointments**

None

### Nicole Geoghegan
LLB

General Counsel and Company Secretary

**Appointed**

Appointed in July 2022.

**Skills and Competencies**

Nicole is a highly experienced general counsel and company secretary with an extensive background in major/mega projects and infrastructure, covering the full asset lifecycle. Nicole spent six years on the HS2 project as general counsel and company secretary prior to joining Costain. She has significant international experience in rail/transport, engineering and project services and is an expert in public sector procurement, fit-for-purpose governance and effective risk management.

**External Appointments**

None

### Catherine Warbrick

Chief People and Sustainability Officer

**Appointed**

Appointed in September 2019.

**Skills and Competencies**

Catherine joined Costain in 2006 and has performed a number of roles, including as director of learning and development and corporate responsibility (CR), and investor relations director. In 2019, Catherine became Group HR director and in 2022 took on additional responsibility for sustainability, becoming chief people and sustainability officer. Highlights of Catherine's career with Costain include developing and implementing the Group's first CR strategy, achieving Platinum status in Business in the Community's CR Index in 2013, driving change to achieve the Group's recognition in the Times Top 50 Employers for Women 2018–2021 and Costain being cited as a game changer in 2019 for its work on gender parity in early careers recruitment. Catherine is a qualified executive coach and graduated with an honours degree in environmental science.

**External Appointments**

None

### Sam White

Managing Director of Natural Resources

**Appointed**

Appointed in January 2022.

**Skills and Competencies**

Sam was appointed managing director of Natural Resources in January 2022. He has a strong track record in developing strategic customer relationships and delivering enhanced business performance and growth, gained through a variety of challenging multi-sector roles in multi-national organisations. Sam joined Costain from Babcock International Group where he held various leadership roles across defence, energy and engineering services. Prior to this he held roles with BAE Systems and General Dynamics. Sam is a qualified executive coach and is a passionate advocate of inclusion and diversity.

**External Appointments**

None

### Paul Morris

Group Commercial Director

**Appointed**

Appointed in July 2024.

**Skills and Competencies**

Paul was appointed as Costain's Group commercial director in July 2024 after originally joining Costain in August 2011. Paul has performed a number of commercial leadership roles across the business, most recently as commercial services director. He has 30 years of experience in people, project and commercial management. Prior to joining Costain he was group commercial director for Promanex Group. Paul holds a master's degree in business administration from Newcastle University.

**External Appointments**

None

### Abida Lalani

Director of Strategy and Transformation

**Appointed**

Appointed in October 2022.

**Skills and Competencies**

Abida joined Costain as change programme director in November 2019 and is focused on accelerating the implementation of Costain's strategy across its four markets in Transport, Water, Energy and Defence. Abida has since also taken on day-to-day strategy and planning for the Group, oversees business-wide change and improvement activities, in addition to being accountable for organisational quality in line with ISO 9001. Prior to Costain, Abida worked for HSBC, KPMG and Lloyds Banking Group where she formed a niche in large-scale transformation programmes, in particular integration or separation activity as a result of mergers, acquisitions, divestments or carve-outs. She has lived and worked across the UK and continental Europe, the USA, Middle East and Asia. Abida is also the executive sponsor for the Religious Ethnic and Cultural Heritage (REACH) Network at Costain.

**External Appointments**

None

### Jonathan Willcock

Managing Director of Transportation

**Appointed**

Appointed in April 2024.

**Skills and Competencies**

Jonathan was appointed managing director of Transportation in April 2024. He has a wealth of experience in infrastructure and joined Costain from Skanska, where he was managing director of Skanska UK's infrastructure division, working to increase revenue and market share and delivering complex projects in sectors including highways, rail, energy and water. Prior to that, Jonathan was managing director of Alstom Transport UK's systems, signalling and infrastructure division, growing the business and winning and delivering key work for Network Rail, TfL and other transport bodies.

**External Appointments**

None

## Governance at a Glance

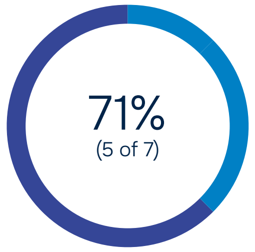
# Leading a responsible business

### UK Corporate Governance Code – application of Code Principles

The table below sets out where the required reporting on the Principles can be located in this 2024 annual report.

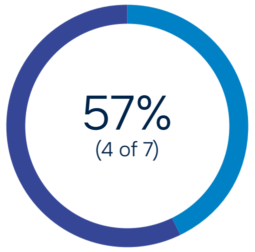
| | |
|---|---|
| **1** | **Board leadership and Company purpose** |
| A | Effective Board / **pages 58, 59, 70 and 71** |
| B | Purpose, values and culture / **pages 80 and 82** |
| C | Governance framework and Board resources / **pages 30, 31, 50 to 55, 68 and 69** |
| D | Stakeholder engagement / **pages 32, 33 and 74 to 77** |
| E | Workforce policies and practices / **page 57** |
| **2** | **Division of responsibilities** |
| F | Board roles / **pages 68 and 69** |
| G | Independence / **pages 58, 59, 69 and 70** |
| H | External appointments and conflicts of interest / **pages 58, 59, 72 and 125** |
| I | Key activities of the Board during 2024 / **page 64** |
| **3** | **Composition, succession and evaluation** |
| J | Appointments to the Board / **pages 91 to 93** |
| K | Board skills, experience and knowledge, service length / **pages 58, 59, chart below and 117** |
| L | Annual Board evaluation / **page 71** |
| **4** | **Audit, risk and internal control** |
| M | Financial reporting, external auditor and internal audit / **pages 86 to 90** |
| N | Review of the 2024 annual report / **page 72** |
| O | Internal financial controls and risk management / **pages 50 to 55, 73 and 89** |
| **5** | **Remuneration** |
| P | Linking remuneration with purpose and strategy / **pages 95 and 96** |
| Q | Remuneration policy review / **pages 100 to 103** |
| R | Performance outcomes in 2024 / **pages 95, 97 and 107 to 109** Strategic targets / **pages 112 and 113** |

### Board independence



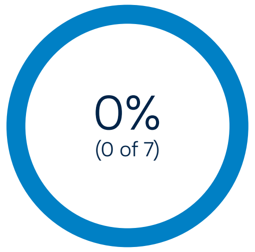

| | |
|---|---|
| Non-independent directors | 2 |
| Independent directors | 5 |

### Board diversity – gender



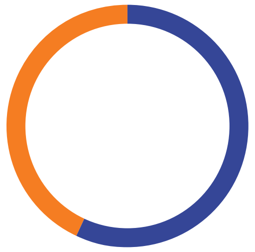

| | |
|---|---|
| Male | 3 |
| Female | 4 |

### Board diversity – other ethnicity




| | |
|---|---|
| White British | 7 |
| Other ethnic groups | 0 |

### Board – length of service



| | |
|---|---|
| <1 year | 0 |
| 1–3 years | 4 |
| >3 years | 3 |

### Governance case study

In Spring 2024, the Board commenced an external performance review. A structured and considered process was undertaken to select the consultant to work with the Board on the review. The goal of the review was to support the Board in its endeavour to be a continuously improving high-performing body that contributes significant value to Costain's shareholders (and its customers, employees and other stakeholders). The review was conducted in accordance with the Chartered Governance Institute's Code of Practice for Board Reviewers (published September 2023) and considered the performance of the Board and its committees, effectiveness of the Chair and also (whilst not a formal performance review) the individual inputs of each Board member.

Clare Chalmers was appointed to conduct the review in May 2024. Ms Chalmers attended a detailed meeting with the chair and company secretary at the outset to discuss key issues, business performance and opportunities. Through in-depth interviews, Ms Chalmers then considered: Board composition, culture, dynamics and leadership; succession planning; the Board's role in connection with Costain's strategy, performance and risk appetite; the quality of the Board's decision making; stakeholder engagement by the Board; and quality of Board meetings, Board papers and secretariat support.

Ms Chalmers attended the October Board in person to feed back her findings and suggested actions, leading to an engaging discussion. The Board agreed certain focus areas in response, which are outlined on page 71, all of which are aimed at ensuring the Board continues to add value to Costain's shareholders and all other stakeholders.

"The Board was delighted that the external review concluded that both the Board and the business were considerably stronger than the last review, the Board was collegiate, experienced and highly skilled, comprised of non-executive directors with good knowledge of the business' markets and clients, and committed executives, with high levels of integrity and ethical standards."

**Kate Rock**
Chair

For more information / **page 66**

## Governance at a Glance continued

# 2024 key activities

## The main areas of discussion of the Board and Committees in 2024 are shown in this timeline.

### January (brief update meeting)

- Business Update

### February

- 2024 AIP and 2021 LTIP performance against targets
- Setting targets for 2024 short and long term incentives (AIP and LTIP)
- Executive Board salary and chair fee increases
- Draft Directors' Remuneration Report

### March

- FY24 results announcement, Annual Report and Accounts
- External audit feedback
- ESG Report
- Gender Pay Gap Report
- Modern slavery statement
- IT Strategic Update (inc. Cyber Security)
- Reduction of nominal value of Ordinary Shares
- Distributable reserves, cash and scrip dividends
- Notice of AGM
- 2024 employee engagement survey results and actions
- Board skills and competencies
- NED Letters of appointment
- Retirement of Bishoy Azmy
- Final approval of share plan vestings and targets
- Risk deep dive – major H&S incident and environmental incident

### April (written circulation)

- Executive share plan grants
- Share dilution

### May

- AGM trading announcement
- AGM matters and voting
- Risk deep dive – contract terms and economic factors
- 2024 quarterly finance update and forecast
- Corporate governance presentation
- Analyst and investor feedback on FY23 results
- Group risk management assurance framework
- Report from Internal Auditor
- 6-monthly fraud and whistleblowing report
- Internal controls observations

### July

- Board strategy day including review of market trends, options for growth and operating model direction
- Workforce engagement report
- Capital allocation
- Risk deep dive – procurement and supply chain
- D&O insurance renewal
- Code of Conduct
- Move of Head Office to 70 St Mary Axe

### August

- HY24 interim results announcement
- Capital allocation, dividend and share buyback programme
- Energy sector market and growth plan
- 2024 quarterly finance update and forecast
- External auditor effectiveness
- Report from Internal Auditor
- Sharesave invitation approval

### October

- Risk deep dive – climate change
- Analyst and investor feedback on HY24 interim results
- Re-consideration of net zero targets
- Board performance review feedback

### November

- Group business plan
- 2024 quarterly finance update and forecast
- Board performance review actions

### December

- 2025 budget
- Risk appetite and review of principal and emerging risks
- Risk management and control systems
- Transformation programme outcomes
- External audit engagement and fees
- Report from Internal Auditor and internal audit plan for 2025
- 6-monthly fraud and whistleblowing report
- Internal auditor effectiveness
- Wider workforce salary budget 2025
- Succession planning
- Board diversity policy
- Consideration of Sustainability Committee and Workforce engagement director
- Schedule of Matters reserved to the Board and Committee Terms of Reference

- Board
- Audit and Risk Committee
- Nomination Committee
- Remuneration Committee

At each full Board meeting, the Board considers a safety moment, a safety, health and environment (SHE) report, CEO (including business and project updates) and CFO reports, an investor relations update, a legal update, a people and sustainability report, a risk deep dive and, if required under the matters reserved for the Board, work-winning approvals.



"The Board believes that good corporate governance underpins a successful and sustainable business."

**Kate Rock**
Chair

Chair's Introduction

# The Board ensures the Company's governance processes support growth and business performance.

# Chair's Introduction continued

## Dear shareholder

In 2024, the Board continued to maintain high standards of corporate governance across the Group to support business performance. It promoted Costain's values, reinforced diverse views and constructive challenge, took account of the views of the workforce and wider stakeholders and oversaw the Group risk management programme. The Board complied with the 2018 UK Corporate Governance Code (the Code) during the year.

## Board and Committee governance

Building on the deep dive review conducted by our company secretary and general counsel in 2023 into our Board and Committee governance framework and the work undertaken as part of the external review into the effectiveness of the Board in 2024, the Board has kept the governance structure and committee membership under review and is satisfied that the three Board Committees – Nomination Committee, Remuneration Committee, and the Audit and Risk Committee – have all operated effectively during the year. Reports from the chair of each of these committees can be found on pages 87 to 90, 92 to 93, and 97 to 98.

## Board changes

Following the appointment of Steve Mogford and Amanda Fisher in 2023, no additional directors were appointed in 2024. The Board keeps the membership of the Board under review and the Nomination Committee regularly monitors the balance of skills and competencies on the Board. The Board has concluded that the Board is the right size and composition for now, as the Board collectively has a broad range of relevant skills and experiences for a company such as Costain. Further details of the skills matrix we use to monitor this is given on page 93.

On 31 March 2024, Bishoy Azmy retired from the Board after four years' service. I should like to extend our thanks to him for his contribution to the Board in that time.

## Sustainability Committee

During the year, the Board discussed on a number of occasions, the establishment of a Sustainability Committee with the remit to oversee sustainability matters. While the Board recognised that the Board as a whole is responsible for environmental, social and governance matters and was concerned that delegation of these matters to a committee could appear to lessen the importance of these matters, we also felt that it was important that these matters received the time and attention they deserved, and concluded this could best be done by a dedicated committee. During 2025, the Board will consider this further.

## Workforce Engagement Director

For many years the Board has taken the opportunity to meet employees and the wider workforce and listen to their views when conducting site visits both collectively and individually. During the course of 2024, Board members attended 14 operational site visits including to Devonport, Heathrow, the A30 and to some of our key customers, including HS2, Severn Trent and Cadent. These visits give us additional insights into how our culture, values and behaviours are lived on the ground. We have been delighted to see the commitment of our employees (and our supply chain) to their work and to safety in particular and to listen to the concerns of the workforce at multiple levels across the Company. The visits also enhance our understanding of the business and our relationship with key customers. After each visit, we submit a brief report summarising our observations for the management team.

During the year, we discussed whether we should nominate a Board member with specific responsibility for workforce engagement, which is the practice adopted by a number of other companies and is one of three workplace engagement methods specifically recognised by the 2018 Code. In December 2024, we decided that while all Board members would still be encouraged to attend operational site visits and to engage with our workforce, we would nominate a director with specific responsibility for workforce engagement. I am delighted that Amanda Fisher, who joined the Board in 2023 and undertook a number of site visits during 2024, has agreed to be act as our workforce engagement director with effect from 4 March 2025. Further information may be found on page 71.

## Board Performance Review

This year, our Board Performance Review was externally facilitated, and we were delighted that the final report concluded that both the Board and the business were considerably stronger than at the previous external effectiveness review. It noted that the Board was collegiate, experienced and highly skilled, comprised of non-executive directors (with good knowledge of the business' markets and clients) and committed executives (with high levels of integrity and ethical standards). The report also commended the strengthening of our risk function.

The Board discussed the review at our meeting in October and agreed actions in response. Plans are in place to better consolidate the information presented to the Board, further evolve the risk management programme, appoint a workforce engagement director and consider setting up a Sustainability Committee. Further details may be found on page 71.

## Strategy

The Board establishes the Group's purpose, values and strategy, ensuring the Company's culture is aligned. In shaping the Group's strategic direction, the Board seeks to ensure that good governance standards are embedded throughout the organisation to support our purpose and business performance.

In 2024, the Board continued to work hard to build stronger investor and market confidence in the Company. We are now seeing the benefits of our efforts. By means of implementing the various elements of transformation and delivering our strategy, we believe we can achieve strong growth. In July the Board came together for a strategy session at which the ambition for 2030 was agreed and growth opportunities were considered and prioritised. Business improvements were identified, such as in operational delivery performance, and we reviewed our portfolio, competitive differentiators and customer relationships. Further details of our strategy are on page 12.

## Risk management

Effective risk management is a fundamental aspect of the Group's operating, financial and governance activities (see pages 50 to 55).

During the year, management undertook its annual review of the Company's risk appetite and risk management framework, the outcomes of which were endorsed by the Board, and the Audit and Risk Committee, as appropriate. The Board conducted reviews of several of the Group's principal risks, including climate change, procurement and supply chain, health and safety incident and environmental incident, market conditions and contract risk allocation. The Board confirms that it has completed a robust assessment of the Company's emerging and principal risks.

Further details of all Audit and Risk Committee matters are provided in the Audit and Risk Committee Report on pages 86 to 90.

In addition, Board members use their engagement visits to sites (see page 82) as an opportunity to lead conversations on risk.

## Culture

The Board has an important role in setting and developing the culture of the Company and uses several leading and lagging indicators to make an informed assessment of the Company's culture (see page 80). Towards the end of 2024, the Company carried out its annual Group-wide employee engagement survey with support from Best Companies. We were delighted with the participation level as it gives us a wealth of information on what we do well and areas for focus, together with our accreditation, for the third year, as a Best Companies One Star organisation, meaning Costain is a 'very good' company to work for (see page 83 for more information).

**Kate Rock**
Chair

10 March 2025

## Compliance with the UK Corporate Governance Code 2018

As a listed company on the London Stock Exchange, and in respect of the financial year ended 31 December 2024, the Company is reporting in accordance with the UK Corporate Governance Code 2018 (the 2018 Code) which sets out standards of good practice in relation to the following principles:

(i) board leadership and company purpose;
(ii) division of responsibilities;
(iii) composition, succession and evaluation;
(iv) audit, risk and internal control; and
(v) remuneration.

The 2018 Code is published by the Financial Reporting Council (FRC) and is available on its website www.frc.org.uk

During 2024, Costain was compliant with all provisions of the UK Corporate Governance 2018 Code.

With effect from 1 January 2025, most of the 2024 UK Corporate Governance Code (the 2024 Code) applies for all listed companies.

During 2025, Costain intends to comply with the 2024 Code. When the new provision 29 (relating to the monitoring and review of all material internal controls) comes into effect in 2026, Costain also intends to comply with this provision.

The Audit and Risk Committee Report on pages 86 to 90, the Nomination Committee Report on pages 91 to 93, the Directors' Remuneration Report on pages 94 to 120 and the description of the Board's diversity policy pages 78 and 79 are also incorporated into this report by reference.

On the following pages we explain our approach to corporate governance, demonstrating how the Board and its Committees have fulfilled their responsibilities to ensure robust governance practices are embedded throughout the Group to support business performance.

Our Governance Structure

# Delivering effective decision-making and meeting corporate governance standards

The Group's governance structure is established and overseen by the Board.

## Costain Group PLC Board of directors

Key responsibilities:
The Board is collectively responsible for overseeing and guiding the Company and holding management to account. The Board's main role is to create long-term sustainable value for shareholders by providing prudent leadership and taking into account the interests of all stakeholder groups. It does this by setting the Company's strategic priorities and overseeing their delivery, ensuring that the necessary financial and other resources are available, and by maintaining a balanced approach to risk within a framework of effective controls.

### Board Committees

Key responsibilities:
The Board has established Committees which are responsible for audit and risk, remuneration, and appointments and succession. Each Committee plays a vital role in ensuring that high standards of corporate governance are maintained throughout the Group, which enhances the performance of the business.

### Audit and Risk Committee

Key responsibilities:
Monitors and reviews the integrity of Costain's financial statements.

Manages the relationship with the external auditor.

Oversees the Company's systems for internal control (including the internal audit plan and audit outcomes) and risk management.

Oversees the Company's whistleblowing framework and receives reports on investigation outcomes.

### Nomination Committee

Key responsibilities:
Monitors and reviews the composition of the Board and its Committees to ensure that the right structure, skills, diversity and experience are in place for the effective management of the Group.

Reviews management development, succession planning and the talent pipeline in respect of the Company's senior executives.

### Remuneration Committee

Key responsibilities:
Determines the remuneration for the chair, executive directors and certain senior managers.

Oversees Costain's overall remuneration policy, strategy and implementation. This includes the alignment of incentives with reward and culture and takes into account employees' pay and rewards when setting the policy for directors' remuneration.



## Executive Board

Key responsibilities:
Accountable for the day-to-day running of the business, delivering the Group strategy, business plan and budget and managing the operational and financial performance of the Group.

### Strategic Investment Panel

Key responsibilities:
Responsible for approving significant levels of bid resourcing and for approving (or endorsing to the Board) certain investments.

### People Committee

Key responsibilities:
Makes decisions in relation to people on behalf of the Executive Board.

Makes recommendations to the Executive Board (or Board, as relevant) in relation to strategic, people matters.

### Monthly/Quarterly Business Reviews

Key responsibilities:
Reviews financial and operational performance of projects to ensure economic and efficient delivery.

### Safety, Health and Environment (SHE) Committee

Key responsibilities:
Responsible for setting and monitoring compliance with the Group's SHE policies.

Acts as a consultation forum to enable best advice to be given to the Executive Board (and to guide the Group SHE director and chief people and sustainability officer) on matters relating to safety, health, environmental protection and climate change.

### Risk and Assurance Committee

Key responsibilities:
Reviews and guides Costain's approach to risk management including trends.

Considers any whistleblowing investigations and trends.

Monitors delivery of the internal audit plan, reviews audit outcomes and tracks actions to completion.

### Transformation Steering Committee

Key responsibilities:
Provides strategic direction, sets the priorities and monitors the progress of Costain's transformation agenda.

### Architecture Board

Key responsibilities:
Manages/oversees Costain's overall enterprise systems architecture to ensure efficiency, effectiveness and alignment of same.

## How we divide up our responsibilities

| | |
|---|---|
| **Chair** | The chair, Kate Rock, is responsible for the effective leadership and operation of the Board. The chair promotes high standards of governance and supports and guides the CEO. |
| **Chief executive officer** | The CEO, Alex Vaughan, is responsible for managing the business of the Company through the implementation of policies and strategies approved by the Board. The CEO maintains constructive dialogue with the chair, the Group's shareholders on strategy and performance, and other stakeholders. |
| **Senior independent director** | The role of the senior independent director, Tony Quinlan, involves providing a sounding board for the chair and providing support to her, acting as a point of contact for shareholders to raise any concerns not addressed adequately through normal channels and meeting with the other non-executive directors, without the presence of the chair or executive directors, to discuss such matters as the chair's performance. |
| **Non-executive directors** | The non-executive directors all bring valuable experience, insight and perspective to the Board, through their former or current executive roles and their other non-executive positions, which are held across a wide range of businesses and disciplines. This facilitates robust input and decision-making by the Board as a whole. The non-executive directors, including the chair, also meet without the executive directors present from time to time as a matter of good corporate governance. |

### Further information

No changes were made to the schedule of matters reserved to the Board or to the terms of reference of Board Committees in 2024. The matters reserved for the Board and Committee terms of reference, which are reviewed at least annually, can be viewed in the corporate governance section of the Company's website. The members of each Committee and details of their attendance are shown on pages 58, 59, and 70.

## Attendance and Composition

### Meeting attendance

The Board meets regularly, with seven scheduled full meetings during the year together with a separate strategy session. The directors' attendance record at these meetings and Board Committee meetings for the year ended 31 December 2024 is shown in the table below. Also shown below is the directors' attendance record at a scheduled brief update meeting.

For the Board and Committee meetings, attendance is expressed as the number of meetings that each director attended out of the number they were eligible to attend as members. The table below does not indicate regular attendance of non-members. No director attended the Remuneration Committee for discussions on their own remuneration.

| Board attendance | Scheduled full Board and strategy meetings *Maximum 7* | Other brief update Board meetings *Maximum 1* | Audit and Risk Committee *Maximum 4* | Remuneration Committee *Maximum 3** | Nomination Committee *Maximum 2* |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Alex Vaughan | 7/7 | 1/1 | – | – | – |
| Helen Willis | 7/7 | 1/1 | – | – | – |
| **Non-executive directors** | | | | | |
| Kate Rock | 7/7 | 1/1 | – | – | 2/2 |
| Bishoy Azmy[1] | 0/1 | 0/1 | 0/1 | – | 0/1 |
| Amanda Fisher | 7/7 | 1/1 | 4/4 | 3/3 | 2/2 |
| Fiona MacAulay | 7/7 | 1/1 | 4/4 | 3/3 | 2/2 |
| Steve Mogford | 7/7 | 1/1 | 4/4 | 3/3 | 2/2 |
| Tony Quinlan | 7/7 | 1/1 | 4/4 | 3/3 | 2/2 |

* Matters in relation to the executive share plan grants in April 2024 were agreed by written circulation.

1 Bishoy Azmy, who is Dubai-based, was the designated representative director of ASGC Construction L.L.C. (ASGC) who was, until 13 September 2024 our largest shareholder. Bishoy was a non-independent director until 31 March 2024. Following an accident in early 2023 and a period of recovery, in September 2023 Mr Azmy appointed Kate Teh, the London-based general counsel and company secretary of Innovo Holding Limited, a company connected to ASGC, as his representative to attend Costain meetings where he was unable to attend. This enabled ASGC to continue to input at meetings. Ms Teh, who did not vote at meetings, attended two Board meetings, one Audit and Risk Committee meeting and one Nomination Committee meeting in the relevant period. Bishoy continued to meet with Board members on a number of matters and accordingly his knowledge and experience were available to Costain to support delivery of the strategy.

### Board composition

The Board currently comprises the chair, two executive directors and four independent non-executive directors. The membership of the Board and biographical details of all the directors can be found on pages 58 and 59.

The non-executive directors have a range of business, construction, risk management, sector and financial experience that is relevant to the Company to support the delivery of the strategy. The Board is enhanced by the varying lengths of service, gender balance and expertise of all the directors, together with the mix of skills and experience as depicted in the chart on page 93.

The non-executive directors provide constructive challenge, strategic guidance and specialist advice.

### Ongoing Board training

As regards the continuing professional development of the executive and non-executive directors, independent of any formal training arranged by the Company, they are encouraged to attend seminars and conferences on issues relevant to their appointment as directors of a public company, particularly matters concerned with corporate governance, ESG, audit, risk and remuneration issues. In addition, Board site visits are considered essential to ensure that directors have a thorough understanding of business operations and issues that affect the Group and its workforce.

During the year, the Board and the Audit and Risk Committee have received presentations from our legal advisers on corporate governance and from our auditors on the 2024 UK Corporate Governance Code.

### Board independence

Having due regard to the conduct of directors, the Board considers that each of its independent non-executive directors standing for re-election continues to be independent in character and judgement and there are no relationships or circumstances which are likely to affect (or could appear to affect) the judgement of such independent non-executive directors. The Board confirms that the directors continue to perform effectively, that they demonstrate commitment to their particular roles, that they ensure proper time is devoted to Board and Committee meetings and should therefore be re-elected at the forthcoming AGM.

The current terms of appointment of all the directors are set out in the Directors' Remuneration Report on page 117.

At the time of her original appointment as a director in November 2022, Kate Rock, chair, was considered independent by the Board.

### Board induction

On appointment, new members of the Board take part in a tailored induction programme, organised by the general counsel and company secretary. There were no new directors appointed in 2024, although during the year Steve Mogford and Amanda Fisher continued the induction programme they began in 2023. In particular, Amanda made further visits to some of our key operational sites, meeting with employees and clients, learning more about the business and important projects, and provided feedback which will be used to tailor future induction programmes.

## Board Performance

The Board has a formal process for the evaluation of the effectiveness of the Board and its Committees. The last full internal Board Performance Review was undertaken in autumn 2022, with a review of the sub-committee structure undertaken in 2023. The formal external review scheduled in 2023 was delayed due to the very recent appointment of Amanda Fisher and Steve Mogford towards the end of 2023.

The Board Performance Review in 2024 was externally facilitated by consultant Clare Chalmers, following a formal selection process, led by Nicole Geoghegan, general counsel and company secretary. Ms Chalmers has no other connection with Costain, or its individual directors.

The review consisted of an initial scoping meeting with Kate Rock, chair and Nicole Geoghegan and a review of Board and Committee papers, minutes and agendas, the annual report, the Schedule of Matters Reserved to the Board and the Terms of Reference of the Board Committees. One-to-one interviews with each member of the Board, the general counsel and company secretary, the chief people and sustainability officer and the managing directors of the divisions were held. The Audit and Risk Committee and Board meetings held in August 2024 were observed. A report was prepared, which formed the basis of a discussion at the October Board meeting.

Overall, the report concluded that both the Board and the business were considerably stronger than at the time of the last external review, identifying a number of strengths, including a capable and energetic chair, who led a collegiate, experienced and highly skilled Board, comprised of non-executive directors with good knowledge of the business' markets and clients and committed executives, with high levels of integrity and ethical standards, as well as a strengthened risk function.

The report also identified areas for further improvement, which the Board discussed with Clare Chalmers at the October Board meeting. As a result of this discussion the Board agreed to focus on the following actions during 2025. Work has already commenced to implement some of these changes:

**Succession planning**

The Board recognised the importance of continuing to focus on succession planning for senior leaders to ensure that such leaders continue to support and drive the company's strategy. In the year the Nomination Committee reviewed succession planning for a number of senior roles, with further reviews to be undertaken in 2025. See pages 92 and 93 for further details.

**Information presented to the Board**

Consistent with the objective of continuous improvement, the Board discussed the reports and information being presented to the Board and agreed next steps in response.

**Risk Management Programme**

The Board recognised the progress of the company's risk management programme over the past two years and suggested that the risk registers could be refined by adding some additional information in connection with priorities and mitigations. See pages 50 to 55 for further details.

**Workforce Engagement Director**

The Board members spent time during the year meeting with employees and the wider workforce, making visits to our key sites, both collectively and individually. Costain has not previously nominated a non-executive director with specific responsibility for Board oversight of the workforce. The Board recognised that other boards have found this a useful practice. Accordingly, with effect from 2025, the Board has decided to appoint Amanda Fisher as workforce engagement director to lead the Board's interaction with the workforce. All members of the Board will continue to engage with employees and the wider workforce on the bi-annual Impact Day and during any other site visits. See pages 74, 75 and 82 for further details.

**Sustainability Committee**

The long-term sustainability both of our business and our planet is a core part of our strategy. Sustainability was recognised by the Board as one of the key differentiators for our business. To enable sufficient focus on this critical area, the Board has determined to establish a Sustainability Committee. See page 66.

# Other Board Matters

## Operation of the Board

The chair sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items. To discharge their duties, the directors are provided with full and timely access to papers prior to Board meetings via a fully encrypted electronic portal system. Directors have access to all information relating to the Group and are free to seek any further information they consider necessary. After each meeting, the general counsel and company secretary operates a comprehensive follow-up procedure to ensure that actions are completed as agreed by the Board.

Senior executives and high potential employees below Board level are invited to attend Board and Committee meetings from time to time to deliver presentations on issues that are relevant to their particular business sector or function (see page 64).

Between Board meetings, the chair and non-executive directors have access to the chief executive officer, chief financial officer and general counsel and company secretary to progress the Company's business. The chair and non-executive directors also receive monthly management accounts, internal audit reports and regular management reports and information, which enable them to scrutinise the Group and management's performance against agreed objectives. The Board is also kept up to date on legal, regulatory and governance matters by both the general counsel and company secretary and external advisers.

The general counsel and company secretary is responsible for ensuring that Board procedures and applicable rules and regulations are followed. The appointment and removal of the general counsel and company secretary is a matter reserved for Board approval.

The Board also obtains advice from professional advisers as and when required at the expense of the Company.

## Corporate responsibility

The Board receives reports on corporate responsibility and monitors progress on a regular basis.

## Directors' external appointments

The non-executive directors may serve on a number of other company boards provided they continue to demonstrate the requisite commitment to discharge their duties to the Company effectively. Such external appointments are seen as being beneficial to the overall decision-making process of the Board as a whole. The Company may encourage, when appropriate, the executive directors to take up non-executive positions, with the prior consent of the Board, in the belief that such appointments broaden their skills and enhance the contribution which they can make to the Company's performance. Generally, no more than one such appointment may be undertaken by the executive directors. At present neither executive director has such an appointment.

## Remuneration

Details of how, in 2024, the Company has implemented the remuneration policy approved by shareholders in 2023, together with the activities of the Remuneration Committee during 2024, can be found on pages 95, 96 and 104 of the Directors' Remuneration Report.

## Shareholder communication and engagement

The Company remains committed to maintaining good relationships with both institutional and private shareholders. There continues to be regular dialogue with institutional investors through our CEO, CFO and investor relations director, and our chair meets with some of our largest shareholders.

Additional details of how the Company engages with shareholders can be found on pages 74 and 75.

The chair is available to discuss strategy and governance issues with shareholders. The senior independent director, Tony Quinlan, is available to shareholders if they have any concerns that have not been, or cannot be, addressed through the normal channels of chair, chief executive officer or chief financial officer.

The Company obtains feedback from its brokers, Investec and Panmure Liberum, on the views of institutional investors on a non-attributed basis. The Board routinely reviews reports from its brokers on issues relating to recent share price performance, trading activity and institutional sentiment. The Board also receives copies of relevant analysts' reports on an ad hoc basis.

The AGM is an important opportunity to communicate directly with shareholders. The AGM provides shareholders with an opportunity to ask questions of the directors during the meeting.

At any time, shareholders may raise issues or concerns by contacting investor relations (see contact details on page 189).

## Accountability

### Financial and business reporting

The Board is required by the 2018 Code to present a fair, balanced and understandable assessment of the Company's position and prospects and reference is made to the statement of directors' responsibilities on page 127 together with the statement on the status of the Company as a going concern in note 2 to the financial statements on page 145 and the financial viability statement on page 56.

As can be seen on page 89, the preparation of this annual report involved input from a number of functions across the Group. The Board was involved to enable review, challenge and discussion ahead of approving the final content.

The Board also recognises that its responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive reports that the Company may publish from time to time.

## Business model

The Overview and Strategic Report on pages 1 to 55 give details of the Company's business model.

## Going concern and viability

As mentioned above, the Group's going concern statement is detailed in note 2 to the financial statements on page 145 and the long-term viability statement is set out on page 56.

## Risk and internal control

### Risk management

The Board is responsible for undertaking a robust assessment of the principal risks facing the Group. This includes those risks that would threaten its business model, sustainability, future performance, solvency and liquidity and ensuring that appropriate mitigating actions are in place to manage them. The Group's approach to risk management ensures that, on an ongoing basis, the risks to the Group's objectives are identified, assessed and managed.

The Board and Audit and Risk Committee, as appropriate, considered the detailed work undertaken by the risk and assurance function to further review and define Group risks. This included the approach to principal risk selection and details of the underlying Group risks including mitigations, together with contract risk assurance. These review processes and outcomes are described in more detail on pages 50 to 55 of the Strategic Report and in the Audit and Risk Committee Report on pages 86 to 90.

### Internal control

The Board is responsible for the Group's systems of risk management and internal control and is required to regularly review their effectiveness. The Audit and Risk Committee has undertaken this review in accordance with the requirements of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, published by the Financial Reporting Council (FRC), throughout the year and up to the date of this annual report. Further details can be found on page 89 of the Audit and Risk Committee Report.

The Group uses the Costain Way as the framework for the systems and controls in place to ensure that exposure to significant risks is managed appropriately. The Board recognises that such a system can only manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group also has an independent internal audit function outsourced to Forvis Mazars which undertakes a programme of risk-based audits across our operations throughout the year. All audit reports are shared with the relevant business owners who are accountable for implementing appropriate measures to address any risk or control weaknesses, together with the CEO and CFO. The reports are also shared with the Audit and Risk Committee and the external auditor. The Audit and Risk Committee scrutinises the internal audit activity. Further details can be found on page 89 of the Audit and Risk Committee Report.

S172 Statement

# Engaging with our stakeholders

### Our commitment to stakeholders

We set out on page 32 our key stakeholder groups and here we detail how we engage with each of them. Each stakeholder group requires a tailored engagement approach to foster effective relationships. By understanding our stakeholders and listening to their views and feedback, we can factor into Board discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

The information included in the table to the right and on pages 76 and 77 (Principal decisions), shows how the directors have performed their duties under Section 172 of the Companies Act 2006, having regard to a range of stakeholder feedback.

In response to the results of the 2023 employee engagement survey, we targeted certain actions including in relation to fairness and transparency of pay. Results of the 2024 survey showed improvements in many of these targeted areas.

**Signed by the Board**
10 March 2025

| | HOW WE ENGAGED | DISCUSSIONS AND ACTIONS | OUTCOMES |
|---|---|---|---|
| **Workforce** | • Board members took part in site visits and Q&A sessions with our people.<br>• We held two Company-wide leadership impact days where our people stopped their usual activities and took part in discussions (attended by Board members).<br>• We conducted our regular Group-wide engagement survey.<br>• We designed, tested and launched our new HR system with input and feedback from identified groups and cross function teams, and delivered tailored training sessions.<br>• We rolled out a refreshed enhanced leave policy.<br>• We continue to work with job family owners as part of our Career Pathways initiative which will launch in 2025.<br>• The chair attended a 'Costain connected' event at our HS2 contract with over 400 employees participating.<br>• Developed skills, capabilities and talent, such as with the Empower, First-Time Line Managers, Emerging Leaders and Accelerate development programmes.<br>• The CEO met with 40 Costain graduates on completion of their programme. | • Q&A topics include strategy, future pipeline of work, new offices, wellbeing and internal mobility.<br>• Addressing some of our key risks and strategic priorities, the leadership impact day themes were 'wellbeing' and 'engagement'.<br>• Our engagement survey provides feedback on leadership, the Company, managers, teams, wellbeing, personal growth, giving something back and fair deal. In addition, we ask a series of bespoke questions about safety, culture, advocacy, communication and career progression.<br>• Employee networks and forums feed into the new enhanced leave policies.<br>• The Your Voice forum focused on key themes: HR system, expenses and subsistence policies, communication and other policies. | • We have used workforce feedback (for example from the engagement survey, Your Voice, the employee networks and line manager briefings) to inform our actions.<br>• Using feedback from the engagement surveys, we have implemented and continue to implement targeted actions (see pages 83 to 85).<br>• We have introduced a Q&A session into every leadership and Board site visit.<br>• Employee feedback has generally been very positive to the new HR system, with colleagues citing an improved user experience. |
| **Customers** | • The Board received presentations on major customers including National Highways and HS2 to understand opportunities and challenges.<br>• We took our customers, such as National Highways leadership, on site visits to flagship projects, helping to showcase our capabilities and the quality of work across our portfolio.<br>• We attended strategic customer events such as the opening of Gatwick station.<br>• We attended a number of events with industry associations.<br>• Our chair met with the chair of HS2.<br>• Strong CEO and CFO customer engagement, for example with Heathrow, Southern Water and Cadent.<br>• Our CFO attended a roundtable with the Government on sector opportunities and challenges and actions to boost infrastructure investment and delivery. | • We are spending more time with our customers, ensuring we are helping them meet their changing needs, working hard to secure the new work we can shape and ensuring that we are well placed to support them.<br>• Javier Echave, CFO at Heathrow Airport and chair of the Business in the Community (BITC) Wellbeing Leadership Group, presented to the Executive Board on the potential opportunity and organisational benefits from putting wellbeing at the heart of business strategy.<br>• A senior representative from the Department for Transport presented to the Executive Board and discussed decarbonising infrastructure, pipeline predictability and skills strategies.<br>• With Southern Water leadership we discussed the challenges and opportunities of delivering their AMP8 plan and AMP7 close-out plans. | • In an award judged by customers and peers, Costain has retained its silver medal rating in the Financial Times UK's Leading Management Consultants 2023 in the category Construction and Infrastructure.<br>• We have undertaken working groups to better support our customers with upcoming projects.<br>• We refreshed our strategic business plan to take into account our customers' changing requirements.<br>• The use of various engagement channels resulted in closer customer relationships.<br>• We transferred learning from one sector to another through lessons learned workshops to maximise cross-sector learning.<br>• We placed increased emphasis on the importance of deliverability.<br>• We were recognised for our activities by winning awards and accreditations. |
| **Shareholders** | • Kate Rock, our chair met with four significant shareholders holding a total of 27% of the Company's shares.<br>• Alex Vaughan, our CEO and Helen Willis, our CFO met with 44 investors and potential investors including the holders of around 37% of the Company's shares. Meetings were held physically and virtually, both on a one-to-one and on a group basis following the announcement of our full-year and half-year results.<br>• Members of the executive team met with 20 investors at investor forums, focused on the water sector, in April and October 2024.<br>• Members of the Board engaged with 11 shareholders in connection with remuneration matters and the reduction in nominal value of ordinary shares ahead of the AGM. | • We talked to shareholders about trading, market developments, margin progression, results announcements, dividends, reduction of nominal value of ordinary shares, and the £10m share buyback in the second half of 2024.<br>• We engaged with investors on their enquiries relating to the water sector, HS2 developments and capital allocation.<br>• We addressed shareholder queries ahead of the AGM. | • The Board received an update from its financial advisers on market challenges, the competitive landscape and any opportunities for growth.<br>• The AGM approved the reduction of nominal value of ordinary shares.<br>• During the year, our share price grew from 63.4p to 106p per share and liquidity has increased to more than 800,000 shares traded per day from 250,000 per day in 2022.<br>• Increased analyst coverage.<br>• Between August and November 2024, we returned £10m to shareholders through the repurchase of 9,718,950 Ordinary Shares. |
| **Suppliers** | • The Procurement and Supply Chain managers provide a crucial link with suppliers, developing strong, enduring relationships to ensure the best solutions for our customers.<br>• We have engaged with the supply chain through several channels, including SME Academy and Meet the Buyer events providing the supply chain with insights into Costain's strategies, including sustainable procurement and production thinking.<br>• We have invested in upskilling programmes with the supply chain, utilising resources such as Supply Chain Sustainability School as well as internal expertise on key issues. These include Health & Safety, Carbon, Modern Slavery and Sustainable Procurement.<br>• We are refining our approach to Supplier Relationship Management and working with our projects to apply a consistent approach to engaging with our supply chain. Our procurement teams are developing long-term relationships using Category Management and Supplier Relationship Management as our approach. | • We have delivered a How-to-Buy transformation programme, updating our Plant, Material, and Subcontract Procurement processes to ensure our process are lean and efficient and provide fairness and transparency for our supply chain.<br>• We have developed our sustainable procurement implementation strategy to start rolling out through 2025. We continue to discuss actions we and our suppliers need to take to meet our net zero carbon objective.<br>• We have developed clear performance reporting to ensure clarity as to supplier performance.<br>• We have made it easier for our suppliers to engage with key decision makers to ensure they are supporting the innovation in our projects. We discussed market trends, such as materials and labour shortages.<br>• We have taken onboard our supply chain comments and have included their feedback within Costain's P&SC Transformation Plan to further improve our engagement. | • Costain continues to rank within the top four of construction's fastest-paying main contractors. This attracts businesses to work with us. We submit our statistics on prompt payment performance publicly every six months.<br>• Costain has been awarded the CIPS Procurement Excellence Standard from the Chartered Institute of Procurement & Supply demonstrating our engagement with our supply chain.<br>• Costain continues to support the Supply Chain Sustainability School with their learning platform dedicated to building the skills of managers in the construction industry to accelerate digital adoption. Several of our subject matter experts also support shaping industry training materials. |
| **Communities and environment** | • The Board is updated at each meeting with a SHE and Sustainability report and undertook a deep dive on Costain's climate change risk (see page 55).<br>• Costain took part in the Manchester Pride parade, and hosted a Party in the Park for London Pride attended by the CEO and other members of the Executive Board, colleagues, friends and families, demonstrating our commitment to an inclusive workforce.<br>• Costain has four colleagues serving as regional board members or campaign leadership members for BITC, and the chief people and sustainability officer is a member of the King's Trust Built Environment Leadership Group. The CEO became a member of the BITC Leadership Council in 2024, in support of enhancing focus on responsible business. | • Our local communities have been keen to discuss construction activity, opportunities for local businesses, job opportunities and archaeology.<br>• We stay connected with our local communities to inform them of any operational impact they may experience from our work and maintain a service level agreement for customer contact.<br>• Costain senior leaders took part in various BITC events including climate change, skills and employment, wellbeing and inclusion. | • The Group's new bank and bonding facilities agreement comprises a sustainability-linked revolving credit facility.<br>• Costain's community relations continue to be recognised by the Considerate Constructors Scheme, averaging 46 compared to the industry average of 41 (out of 50). Every contract has an individual or team responsible for community/stakeholder relations.<br>• Achieved Platinum level membership through this year's employer audit of The 5% Club with over 10% employees 'earning and learning'.<br>• £410k social contribution made in 2024. |

## S172 Statement continued

# Principal decisions

In making the following principal decisions in 2024, the Board, in accordance with Section 172(1), considered the outcome of stakeholder engagement (as set out on pages 74 and 75), as well as the need to maintain a reputation for high standards of business conduct and to act fairly between the members of the Company.

Workforce | Customers | Shareholders | Suppliers | Communities and environment

| Key area of activity | Matters considered | Outcomes | Stakeholder group considered |
|---|---|---|---|
| Safety, health and environment | Sustainability and climate change commitment | The Board monitored sustainability and environmental performance in support of the climate change action plan. Information on how Costain has identified and addressed the material sustainability issues that affect the Company and its stakeholders is set out in our Sustainability Report at www.costain.com.<br>The Board undertook a deep dive into Costain's climate change risk and approved a revised net zero carbon target (see page 41 to 43).<br>The Board discussed establishing a Board Sustainability Committee. | Workforce, Shareholders, Customers, Suppliers, Communities and environment |
| | Safety | Each Board meeting starts with a safety moment.<br>The Board received a dashboard of leading indicators and a report on noted safety incidents at each meeting.<br>The Board monitored progress with legal proceedings in relation to safety incidents. | Workforce, Shareholders, Customers, Suppliers, Communities and environment |
| Strategy | Financing | The Board reviewed and discussed our capital allocation policy and implemented a £10m share buyback programme from August to November 2024.<br>The Board engaged with shareholders ahead of the AGM in connection with the reduction in nominal value of ordinary shares and shareholders were substantially supportive of the reduction. | Workforce, Shareholders, Customers, Suppliers, Communities and environment |
| | Delivery of strategy | The strategy, 2025 business plan and budget were approved by the Board. A strategy day was held in July. The business plan takes into account our customers' changing requirements and Costain's enhanced ways of working resulting from the transformation.<br>The Board reviewed in depth opportunities and risks associated with contract terms and economic factors, procurement and supply changes, climate change and certain contracts. | Workforce, Shareholders, Customers, Suppliers, Communities and environment |
| | Communications strategy | The Board has noted the significant improvement to our communication strategy in 2024, including a new intranet and a new website. These improvements have led to more effective communications with our stakeholders both internally and externally. | Workforce, Shareholders, Customers, Suppliers, Communities and environment |
| | Market conditions and trends, Company valuation and capital allocation | In order to assess the opportunities and risks, the Board received an update from its financial advisers on the market, including for growth, and on financing, capital allocation and investor considerations. | Workforce, Shareholders |
| Business and financial performance | Trading updates | Members of the Board, collectively and individually met with members of the senior management and senior finance team on 23 occasions to learn more about the business, strategy, market, culture and reporting processes.<br>At various times in the year, the Board agreed market announcements in relation to trading performance.<br>The chair, CEO, CFO and investor relations director held various conversations with analysts and shareholders to update them on the current position and receive their views and feedback. | Workforce, Shareholders, Customers, Suppliers |
| | Risk management | The Board and the Audit and Risk Committee, as appropriate, considered the detailed work undertaken in 2024 by the risk and assurance function to further review and define Group risk. The risk appetite framework was also reviewed in detail.<br>A number of risks including emerging risks were reviewed by the Board, with a deep dive on specific risks carried out at each meeting. (For more information see pages 50 to 55, 64, 86 to 90.)<br>The Audit and Risk Committee received regular fraud and whistleblowing reports. | Workforce, Shareholders, Customers, Suppliers, Communities and environment |
| | Margin | The Board contemplated the impact of multiple factors on margin. | Shareholders, Suppliers |
| | Dividends | Having regard to what it considered, in good faith, to be for the benefit of its shareholders, the Board continued paying dividends including the scrip. | Shareholders, Customers |
| Culture and governance | Board changes | The Board continued to review the balance of skills and competencies on the Board and determined that no further changes to the Board structure was required.<br>The Board nominated Amanda Fisher as workplace engagement director. | Workforce, Shareholders, Customers |
| | Governance | The Board Performance Review was externally facilitated and the report observed that both the Board and business had strengthened since the previous review.<br>Progress was made in increasing the quality and transparency of information provided to the Board through the introduction of an 'at a glance' chart for the Board and each of the Committees summarising matters to be discussed at each meeting in the annual cycle.<br>The Board allotted shares in connection with the Company's share plans and scrip dividend.<br>The effectiveness of the internal audit function and external auditor were reviewed in detail.<br>The Board reviewed and approved the ESG and gender and ethnicity pay gap reports, and the modern slavery statement.<br>The Board received a presentation on public limited company governance by external legal advisers.<br>Internal audit reports were reviewed and progress against actions noted. | Workforce, Shareholders, Communities and environment |
| | People | The Board made an invitation under the SAYE Scheme with 32% take-up.<br>Members of the Board individually met with employees and the wider workforce on operational site visits on 14 occasions.<br>The Board noted the continued improvement in engagement scores in the annual employee engagement survey. | Workforce |

## Board Diversity

# Equality, diversity and inclusion

Costain is committed to maintaining a diverse Board. We recognise that diversity at all levels of the organisation is fundamental to effective decision-making and delivering high performance. Costain is committed to a culture of inclusion and has an executive team that actively champions equality, diversity and inclusion.

In 2024, a refreshed Board diversity and inclusion policy was approved. Costain's 2025 inclusion plan sets out how we will deliver on our goal to have a workforce which is representative of the communities in which we operate by 2030.

The Board remains committed to maintaining a positive position compared to the targets set out in Listing Rules LR 6.6.6R (10), and chooses a reference date of 31 December (see table below):

- By 2025 women to make up at least 40% of a company's board positions – achieved by Costain in 2017 and maintained (with a brief dip in 2022).
- At least one of the senior Board positions (chair, senior independent director (SID), CEO or CFO) is a woman – achieved by Costain in 2018 and maintained, with the chair and CFO positions currently held by women.
- At least one member of the Board is from a minority ethnic background – due to recent Board changes, this is the first year since 2017 that this target has not been met. Please see our plans to address this on page 92.

Costain is supportive of the Parker Review recommendations and has set a target for 9% of senior management to identify as being of an ethnic minority by 2027. We report our progress annually (see page 79).

The Board places high importance on increasing diversity in senior management and recognises the importance of developing a diverse leadership pipeline. For 2025, the LTIP grants will include performance metrics relating to the diversity of the employees forming job grades D-F (a population that comprises middle management). Increasing our overall gender diversity is also a KPI linked to Costain's revolving credit facility.

### Initiatives

The business is focusing on job grades D-F as part of this year's targets as demographic data across these grades suggest that focusing on these grades for underrepresented groups could unlock barriers to progression and, in turn, positively impact our gender and ethnicity pay gaps. Our development programmes (such as the Emerging Leaders Programme and Empower) are currently aimed at these same job grades, enabling us to tie in both development and recruitment efforts to make a genuine shift in the diversity of our leadership pipeline.

In 2024 we ran the second cohort of Empower, our programme which focuses on the progression of women in the business, running listening circles with employees from different ethnic backgrounds to understand different experiences of progression and reward and the potential impacts on our ethnicity pay gaps. As part of our journey in becoming a Disability Confident Leader, we have also held feedback sessions with our Disability and Wellbeing Network to better understand how to make our training and development offerings more accessible to all.

Progress in meeting the Company's objectives is monitored by the Board and targets are included in the performance measures of the Executive Board and senior management.

Our data-led approach to addressing our pay gaps uses both quantitative and qualitative data to inform action. Our new HR system continues to improve data accessibility and reporting and we actively create feedback culture through our employee networks, engagement survey and listening circles.

We are committed to continuous improvement and regularly benchmark ourselves against external standards to identify opportunities to become a more inclusive employer. We were delighted to be recognised as a Times Top 50 Employer for Gender Equality and validated as a Disability Confident Leader in 2024, as per our commitment in our 2021 Inclusion Strategy.

We continue to evolve our way of working to be best practice by being a Stonewall Diversity Champion, a member of Working Families, the Business Disability Forum, the Valuable 500, a signatory of the Armed Forces Covenant, and a member organisation of Business in the Community (BITC).

| Employee bands A–C and Executive Board | Baseline | Actual | Target | | |
|---|---|---|---|---|---|
| | 31 December 2023 | 2024 | 2024 | 2025 | 2026 |
| Female | 19% | 19% | 22% | 25% | 28% |
| Ethnic minority | 7% | 8% | 9% | 11% | 13% |

### Gender representation at 31 December 2024

| Employee representation | Number of Board members | Percentage of the Board | Number of senior positions on the Board (chair, SID CEO and CFO) | Number in executive management | Percentage of executive management | Number in senior management |
|---|---|---|---|---|---|---|
| Male | 3 of 7 | 43% | 2 of 4 | 4 of 8 | 50% | 18 of 29 |
| Female | 4 of 7 | 57% | 2 of 4 | 4 of 8 | 50% | 11 of 29 |
| Other categories | 0 of 7 | 0% | 0 of 4 | 0 of 7 | 0% | 0 of 29 |
| Not specified/Prefer not to say | 0 of 7 | 0% | 0 of 4 | 0 of 7 | 0% | 0 of 29 |

Note: As at the date of this report, 10 March 2025, Board gender representation remains unchanged.



### Ethnicity representation at 31 December 2024

| Employee representation | Number of Board members | Percentage of the Board | Number of senior positions on the Board (chair, SID CEO and CFO) | Number in executive management | Percentage of executive management | Number in senior management |
|---|---|---|---|---|---|---|
| Asian/Asian British | 0 of 7 | 0% | 0 of 4 | 1 of 8 | 13% | 1 of 29 |
| Black/African/Caribbean/Black British | 0 of 7 | 0% | 0 of 4 | 0 of 8 | 0% | 0 of 29 |
| Mixed/Multiple Ethnic Groups | 0 of 7 | 0% | 0 of 4 | 0 of 8 | 0% | 0 of 29 |
| White British or other White (including minority-white groups) | 7 of 7 | 100% | 4 of 4 | 7 of 8 | 87% | 28 of 29 |
| Other ethnic groups, including Arab | 0 of 7 | 0% | 0 of 4 | 0 of 8 | 0% | 0 of 29 |
| Not specified/Prefer not to say | 0 of 7 | 0% | 0 of 4 | 0 of 8 | 0% | 0 of 29 |

Note: As at the date of this report, 10 March 2025, Board ethnicity representation remains unchanged.

Collection of diversity data is by employee voluntary self-reporting through the HR system. Every employee is asked to disclose, if they wish, their gender and ethnicity by selecting from a drop-down list of genders (Man, Woman, Non-Binary, Other and Prefer not to say) and ethnicity (Asian, Black, Mixed, Not stated, Other, Prefer not to say and White).

### Disability Confident Leader

Costain became a Disability Confident Leader in 2024, in recognition of its commitment to fostering accessibility within the organisation.

The Disability Confident scheme is a government initiative helping organisations employ more disabled people, create workplaces that are inclusive and accessible, and retain disabled talent.

Costain was validated as a leader by the Business Disability Forum for having a forward-thinking approach to inclusivity and for making impactful steps to foster disability inclusion within the organisation. We have embedded inclusivity and accessibility into our recruitment practices by introducing mandatory Disability Confident and Inclusive Hiring training, as well as offering adjustments and support at every stage of the application process.

In addition, we have established strong partnerships with disability charities such as WorkFit and DFN Project Search to provide work experience opportunities for young people. Costain is also a member of several disability organisations, including The Valuable 500 and the Hidden Disabilities Sunflower Lanyards Scheme, to ensure integration and sharing of industry best practices.

We have also placed an emphasis on improving digital accessibility through the recent launch of an accessible website, which features an AccessiBe widget that allows users to adjust the website to their own needs and preferences, for example for those with visual impairments or cognitive disabilities.

Catherine Warbrick, chief people and sustainability officer at Costain, commented: "Being recognised as a Disability Confident Leader is a testament to the steps we're taking to drive progressive, inclusive change. We're attracting and retaining a diverse, multidisciplined pool of talent that supports our delivery of best-in-class infrastructure solutions."

"The industry as a whole is working to tackle accessibility barriers but there's always more that can be done. At Costain, we're committed to fostering best practices in our organisation and throughout our supply chain. We continue to review our digital and in-person ways of working to ensure our people can access the necessary training and support."

Costain has now achieved all three certification levels of the scheme, after committing to the scheme in 2020 (Level 1) and being named a Disability Confident Employer in 2021 (Level 2), before being recognised as a Disability Confident Leader (Level 3).

Natalie Leister, head of practice, Business Disability Forum said: "We were particularly impressed in the steps Costain has taken to embed inclusivity throughout its recruitment and onboarding processes, which will lead to more applications from disabled candidates, whilst ensuring recruitment and onboarding processes are barrier free. Furthermore, we commend the work that Costain has done in the digital inclusivity and accessibility space, from its website being developed in collaboration with AccessiBe, through to accessible and screen reader friendly work on job adverts."

Purpose, Values and Culture

# Who we are

**PURPOSE**

**Improving people's lives (see pages 2 and 18 to 23 for more on purpose and purpose in action)**

**VISION**

**To create connected, sustainable infrastructure enabling people and the planet to thrive**

**MISSION**

**We shape, create and deliver pioneering solutions that transform the performance of the infrastructure ecosystem**

Infrastructure is facing enormous change. There are huge opportunities to update, connect and integrate systems, but challenges (including a growing population, climate change, and economic and environmental resilience) are more urgent than ever.

Addressing this requires a new kind of company that brings together a unique mix of experts. As construction, consulting and digital partners we engineer solutions to secure a more prosperous and resilient future. Together, our people transform the performance of the infrastructure that connects, protects and powers people's lives.

Everything we do is rooted in delivery and organised around our customers, anticipating and solving their challenges across the infrastructure ecosystem. Our 160-year heritage of pioneering problem-solving, together with constant innovation, enables us to deliver cleaner, more efficient solutions that will drive opportunities and growth for our country and our customers.

To create a sustainable future through infrastructure we collaborate more closely than ever with customers, partners, communities and suppliers.

Together we are creating connected, sustainable infrastructure to help people and the planet thrive.

## Recognised indicators of culture reviewed by the Board and its Committees include:

**Outputs from engagement surveys**

See page 83

**Whistleblowing reports**

See page 90

**Internal audit reports and findings**

See page 89

**Engagement visits to site**

See page 82

**Health and wellbeing performance**

See pages 6, 18 and 19

**Safety performance, initiatives and trends, including both leading and lagging indicators**

See pages 18, 31 and 52

**Progress in respect of diversity and inclusion including gender and ethnicity pay gap reports**

See pages 44, 78, 79 and 92

**Employee networks**

See pages 78 and 79

## Transforming our people function


December 2024 marked a significant moment in our transformation journey as we launched our new human capital management system.

The project team successfully co-designed and implemented a global, best in class system to:

- modernise its people processes
- improve employee experience
- ensure improved compliance
- strengthen cyber and data security.

Costain now has access to better workforce insights to support decision making and enhanced reporting.

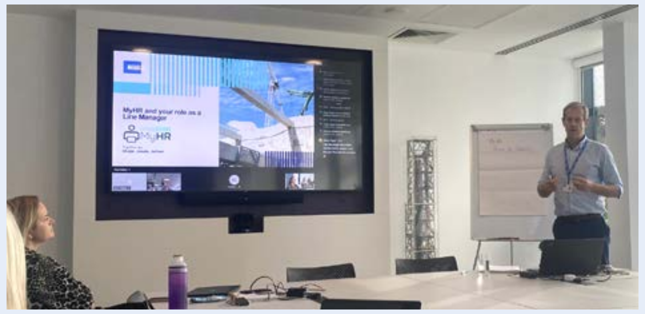
The roll out was supported by almost 100 HR champions, who were instrumental in engaging our teams by delivering local communications, offering practical peer-to-peer support and signposting to available learning materials.

During the first month, 2,293 colleagues logged in and completed the in-system, guided 'Employee Welcome Experience'.

We upskilled 11 HR champions to support our line manager population in 'train the trainer' roles. The network went on to train over two thirds of line managers (c.630) on how to use the system and focussing on the key tasks that line managers need to perform. The in-person and virtual training sessions took place prior to going live with the new system.

Since launching, we've had a great response from colleagues accessing a range of learning materials. An HR support hub was created on the intranet, with a variety of quick reference guides, bitesized videos, glossary and FAQ documents to support colleagues through the change.

The roll-out of our system will continue throughout 2025, as extra functionality is deployed and communicated to the business in line with our cyclical people activities.

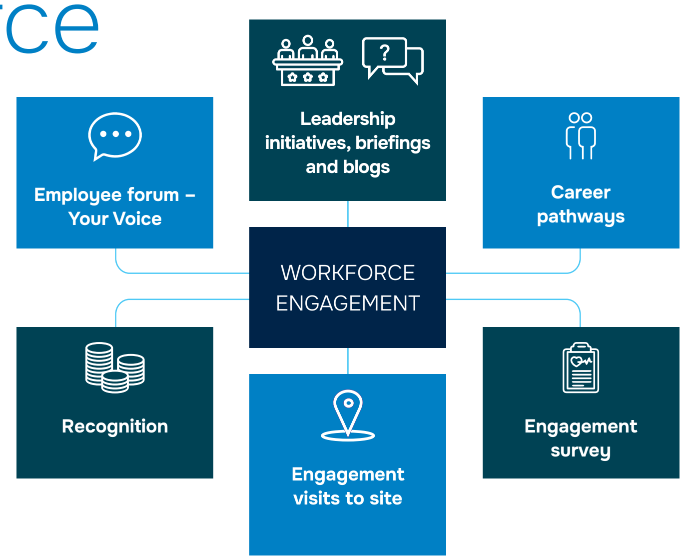


Workforce Engagement

# Board engagement with the workforce

**Engagement with and feedback from the workforce are vital to maintaining a sustainable business and the Board received a people report at each meeting. This is not limited to Company employees but also includes sub-contractors and agency workers in Costain's extensive supply chain.**

In compliance with the 2018 Code, we have adopted a workforce engagement mechanism. For 2024 this involved direct contact between directors and a diverse cross section of the workforce through a range of engagement activities. Costain aims to inspire and engage our teams, creating interactive two-way dialogue through mechanisms such as the employee networks, engagement surveys and the Your Voice forum. In addition, the Board continues to use a number of recognised indicators of culture (see page 80).




## Engagement visits to site

**Our non-executive directors carry out engagement visits to our projects and sites to gain further insights into the business, such as health, safety and environmental practices and performance, operational efficiencies and knowledge of customer relationships.**

As part of these visits a Q&A session is normally held by the Board member with members of the site team (including employees and representatives of the supply chain and customers). At the end of each visit the non-executive director provides feedback to the CEO and the general counsel and company secretary, capturing key information and observations from the visit. Relevant themes are then discussed at Board meetings and appropriate actions agreed.

Two Company-wide leadership impact days were held in April and October. These impact days bring together the whole Company, including joint venture partners, the supply chain and customers and focus on important safety, health and environment issues. The April Impact Day focused on health and wellbeing. Our chair, Kate Rock took part in this impact day at HS2, and Amanda Fisher at the Severn Trent Water sewage works in Redditch.

The October Impact Day focused on a healthy engagement culture. Kate Rock joined this impact day at Southern Water CMDP and Tony Quinlan joined at Thames Water reservoir project in Oxfordshire.

In addition, Kate Rock, made a number of site visits during the year to the Smart Motorway project at Chesterfield, Cadent and Heathrow. She also joined the Costain Connected event in October for those staff engaged in the HS2 project as part of the SCS joint venture.

Amanda Fisher made a number of site visits during the year to Devonport, a joint venture with Babcock, the A30 project and Heathrow.

These visits were primarily focused on engagement with the workforce and observing safety procedures in action.

Tony Quinlan visited the Heathrow baggage handling project in May and Fiona MacAulay visited HS2 Mandeville Road in November.

The site visits gave Board members the opportunity to get a first-hand feel for how our business works from the perspective of our employees. Feedback following these visits was overwhelmingly positive.

At each site Board members were impressed with how deeply consideration for safety matters was embedded across the organisation and saw for themselves the potential dangers inherent at some of our sites and observed how these dangers are managed on a daily basis. Many of the sites were justifiably proud of the good safety record on-site.

Board members also reported a strong sense of pride in the workforce in working for Costain and noted that in some cases, particularly at Joint Venture sites, the workforce would like to feel even more connected to Costain, via a stronger Costain identity on-site.

The Board also met with the wider supply chain and discussed some of the challenges faced.

Employees reported an interest in environmental issues and were keen to hear more about corporate environmental initiatives.

In addition, members of the senior management team complete regular site visits. There is now a Q&A session at each of these visits to improve workforce engagement on these site visits. The schedule for these visits is published internally on the intranet to enable strong workforce attendance and engagement.

## According to our people, we're still a 'Very Good Place to Work'

VERY GOOD
TO WORK FOR
2025
cert.b.co.uk

**75% of colleagues shared their views as part of our third annual engagement survey, ran by Best Companies. We are delighted to achieve a Best Companies 1 Star accreditation and named a 'Very Good Place to Work' for the third consecutive year.**

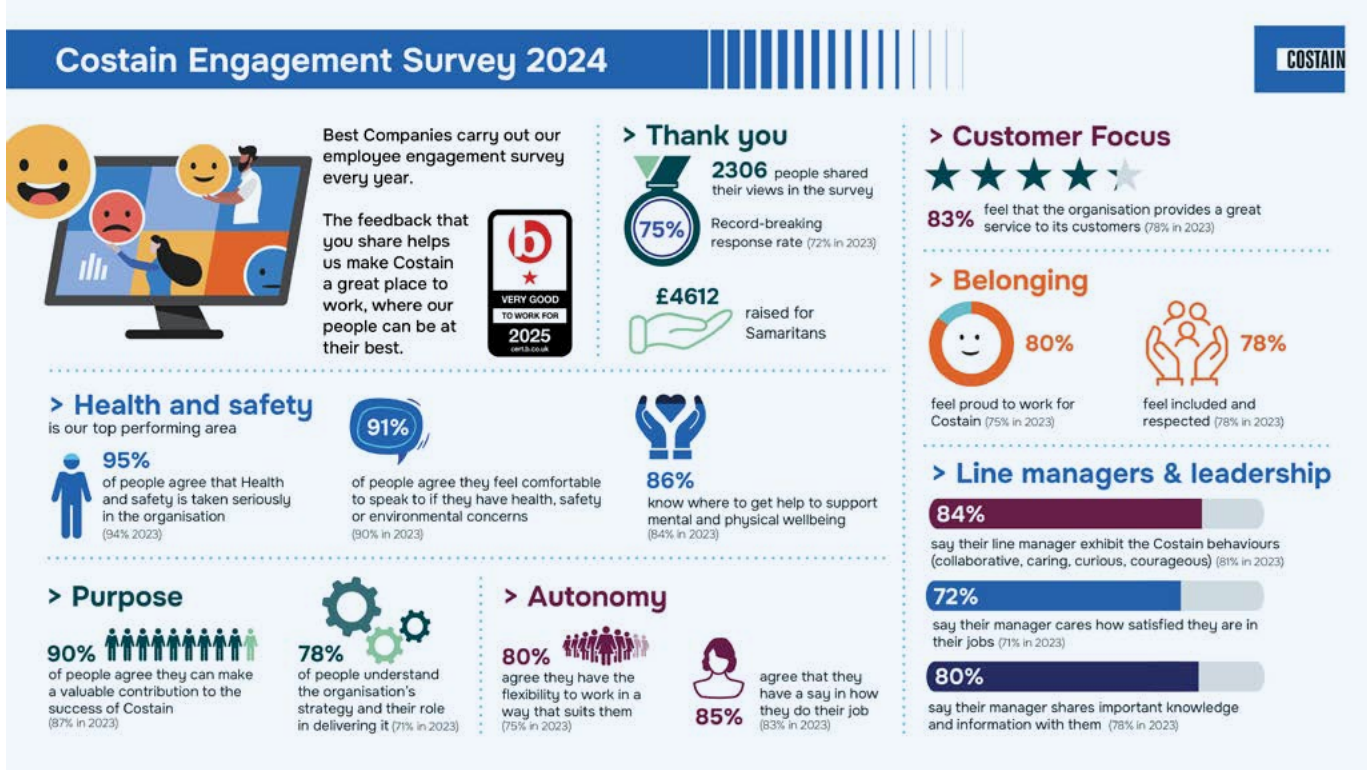
We've seen a year-on-year increase of our Best Companies Index (BCI) score, with a 20 point increase over the last year. This is a fantastic achievement noting that Best Companies advised that other companies experienced a 20 point decrease on average compared to last year.

We saw increased engagement across all eight factors, with Leadership engagement achieving the biggest increase (+7%), and My Company and Giving Something Back increasing by 3%. This is reflective of the targeted actions we have taken during 2024.

We're actively working towards achieving a 2 Star accreditation by building on the actions that have already been taken and proven effective. We will drive further progress in 2025 by focusing on personal growth, wellbeing and team connections.

We've published our Group engagment survey results and issued divisional, sector and function results as well as sharing data with projects and smaller teams to help teams to identify local actions in response to their results.

The Board will continue to monitor our progress against the actions that we are taking in 2025.



# Workforce Engagement continued

## Listening to feedback

**We've listened to feedback from our teams and made improvements to our maternity, paternity and carers leave entitlements.**

With input from our Women's and Parenting network, Your Voice forum and engagement survey, we increased the length of our enhanced maternity and adoption pay and colleagues are now eligible for enhanced maternity, paternity and adoption from their first day of employment.

In addition, we've quadrupled the length of our paternity leave, increasing from two weeks to eight weeks.

We also launched paid carers leave for the first time; providing people with caring responsibilities five days' paid leave per annum to look after loved ones. The new offering was introduced in advance of the Carers Bill coming into effect from April 2025, which introduces five days unpaid carers leave.

## Building resilience in our front line management (FLM) pipeline

**We're proactively building resilience within our FLM pipeline to make sure that Costain has the talent that we will need to meet future demands.**

In 2022, we launched our first ever Front Line Management development programme to enhance the quality of leadership and management, and improve diversity by reducing the age profile within the role. The success of the FLM development programme has been impressive – we've achieved an 86% retention rate and all programme alumni have retained or improved their talent score.

Further to this, in 2024 we launched a new Front Line Supervisor (FLS) Gateway programme, designed to build the foreperson pipeline, creating a tailored pathway into supervisory positions for operatives who demonstrate leadership skills and potential. Three Costain colleagues and ten colleagues from our supply chain are taking part in the pilot, which covers an introduction to leadership and management, develops technical capabilities and provides support through mentoring.


## Developing leadership capability

In 2024 we broadened our development offering by launching our Costain Leadership Series (CLS), a new programme that aims to strengthen leadership capabilities. The series is aligned with our leadership framework, which sets the standard for successful leadership now and in the future.

Our 'Band C' leadership team were the first population to take part in the programme, with 45% of Band C leaders completing the course in 2024. The remaining 55% of Band C colleagues will take part in the CLS in 2025.

As part of the programme, we developed a 360-degree feedback tool to provide personal insight and to establish a baseline for future growth and development. The sessions also covered leading and coaching high-performing teams and a series of bite-sized learning that covered topics such as decision making, finance for non-finance managers and risk management.

## Planning for tomorrow's talent, today

With a strong pipeline of work in the coming years, we're increasing our intake of early careers professionals (graduates, apprentices, internships and university placements) to more than 180 places in 2025.

Last year, we launched our ambitious early careers strategy to make sure that we position ourselves to have the right people, with the right skills, in the right place, at the right time.

Collaboration has been key to shaping the early careers strategy. The Early Careers team worked closely with sector leadership teams and job family owners to validate future requirements and identify skills gaps and regional variances that the strategy would need to address. In addition, the team is building relationships with external stakeholders such as universities, UTCS and clients to design a practical strategy that meets Costain's long-term goals.

The co-created strategy has been developed alongside the business plan to make sure that we have mapped our early career requirements against the people and skills that we need to deliver our business plan ambitions.

## Celebrating our early careers talent

We are incredibly proud of the recognition, both internally and externally, that some of our early careers employees received in 2024.

Oliver Hussain was named 'Apprentice of the Year' (Thames Water Shared Apprenticeship scheme).

Stefanie Bragg won 'UK Project Controls Apprentice of the Year' at the prestigious Project Controls Expo Awards.

Ollie Joyce, and Bailey Prett won quarterly Costain Awards for their contributions in the 'environment and social responsibility' and 'safety and wellbeing' categories, great examples of our values and behaviours in action.

"On behalf of the Board, I am pleased to present my report as chair of the Audit and Risk Committee, which describes how the Committee carried out its responsibilities during the year. This year the Committee continued its focus on key contract judgements, and on risk management and internal controls."

**Tony Quinlan**
Committee Chair

## Audit and Risk Committee Report

# The Committee operates at a high standard with a good level of debate and challenge.

| Committee members | Attendance |
|---|---|
| Tony Quinlan | 100% |
| Amanda Fisher | 100% |
| Fiona MacAulay | 100% |
| Steve Mogford | 100% |

**Meetings held**

4



### Governance of the Committee

I have been chair of the Audit and Risk Committee, (the Committee), which is comprised of independent non-executive directors, since May 2021. The members of the Committee and details of their attendance at Committee meetings are shown opposite and on page 70 and their biographies are shown on pages 58 and 59. The general counsel and company secretary is secretary to the Committee.

The Board considers that I possess the necessary recent and relevant financial experience to effectively chair the Committee and am competent in accounting and auditing. In addition, the Committee as a whole possesses relevant skills and competence and sector knowledge to meaningfully discharge the responsibilities of the Committee.

The meetings of the Committee in 2024 were attended by the Group chair, the chief executive officer, the chief financial officer, the lead internal audit partner and another senior representative from Forvis Mazars (the Group's internal auditor), the risk and assurance director, the Group director of finance and the external auditor. Other senior executives attend as required to provide information on matters being discussed which fall within their remit. In 2024, the Committee met privately, with no management present, with the external auditor and the lead internal audit partner immediately after each Committee meeting. The Committee met four times during 2024.

This report sets out primary areas of the Committee's focus in 2024.

In accordance with its terms of reference and in compliance with the 2018 Code, on behalf of the whole Board, in 2024 the Committee:

- monitored the integrity of the Group's financial statements and formal announcements relating to the Group's performance, and reviewed significant financial judgements contained in them, having also received reports from the external auditor on the outcome of its audit and review
- provided advice on whether the annual report, taken as a whole, was fair, balanced and understandable, and provided the information necessary for investors to assess the Company's position and performance, business model and strategy
- reviewed the Company's internal financial controls and internal control and risk management systems, and the processes for management of the principal risks facing the Group
- monitored and reviewed the effectiveness of the internal audit function
- reviewed the effectiveness of the external audit process and made recommendations to the Board in relation to the reappointment and remuneration of the external auditor, and noted the upcoming retirement and succession of Andrew Paynter as audit partner following the conclusion of the 2024 audit
- ensured that an appropriate relationship between the Group and the external auditor was maintained, and reviewed non-audit services and fees and the external auditor's independence
- reviewed its terms of reference and determined that no changes were required in 2024 but noted that the terms of reference would be further considered in early 2025 in light of the changes introduced by the Corporate Governance Code 2024 relating to controls, which will become effective for financial years commencing on or after 1 January 2026.

In addition, the Committee also spent time on the following:

#### Provisions

The Committee reviewed the significant judgements relating to provisions, including rectification provisions, fire safety compliance claims, litigation and other risks. The Committee received detailed reports including relevant legal advice.

#### Materiality

The Committee considered the auditor's year-end materiality benchmark. PricewaterhouseCoopers LLP (PwC) set this at £5.5m taking into account the sector and nature of the Company's contracting activities.

#### Pensions

As reported last year, Costain announced an agreement with the trustees of the Company's defined benefit pension scheme. This new contribution plan specified that if the pension scheme was in surplus of 101% or more, on a Technical Provisions basis, at the annual funding assessment date, contributions not be required for the following 1 July to 30 June. The funding level was over 101% at the last assessment, therefore contributions to the scheme ceased on 1 July 2024. In the event that the funding levels fall below 101% at the next assessment, contributions would resume at the agreed new level. More specific details of the agreement, including the 'dividend parity' arrangement, are set out in note 21 on page 178.

In 2024, after a thorough selection process, the management of the Company's defined benefit pension scheme transitioned to a professional sole trustee. Dalriada Trustees Limited (appointed on 23 October 2024). We would like to thank the previous trustees for their time and dedication.

#### Risk management

During 2024, the Committee reviewed the risk management process and controls system and concluded they were effective, noting the enhancements made since the previous review. The Committee also reviewed the Group's principal risks (including emerging risks) and the risk management framework (see pages 50 to 55).

The Board received deep-dive presentations from management on individual principal risks during the year. These presentations identify controls, mitigating actions and action owners. In 2024, these Board risk presentations focused on: safety, health and environment; managing our contracts and economic factors; procurement and supply chain performance; and climate change and sustainability. The Board also confirmed its risk appetite and reviewed emerging risks.

The Committee discussed internal audit findings on fraud risk management and the whistleblowing process and reviewed regular whistleblowing updates.

# Audit and Risk Committee Report continued

## Significant accounting matters

The Committee, or the Board where scheduling of meetings was more suited, spent a substantial amount of time considering key accounting issues, matters and judgements in relation to the Group's financial statements and disclosures relating to:

### (A) Material contract judgements

As detailed in note 2 on pages 152 to 153 of the financial statements, a significant proportion of the Group's activities is undertaken via long-term contracts. These contracts are accounted for in accordance with IFRS 15, Revenue from Contracts with Customers, which requires that revenue is only recognised when it is considered highly probable not to reverse.

Management uses detailed contract valuations and cost forecasts when formulating its judgements of costs and revenues and its assessments of the expected outcome of each long-term contractual obligation. Given the Group's portfolio of contracts, the Committee spent considerable time during the year reviewing the positions and judgements taken by management on a number of material contracts. As a result of its review and having discussed this area in detail with management and with the external auditor, the Committee concluded the accounting position taken in the Group's long-term contracts was appropriate.

### (B) Pension

The Group's defined benefit pension scheme requires significant judgements to be made in relation to the assumptions for inflation, future pension increases, discount rate and member longevity, which underpin the valuation. Each year, in selecting the appropriate assumptions, the Company takes written advice from an independent qualified actuary. The Committee has critically reviewed these assumptions and considers them to be reasonable. These assumptions and sensitivities are set out in note 21 on pages 176 to 178 of the financial statements.

### (C) The carrying value of goodwill

As set out in note 12 on page 163 of the financial statements, the Group's statement of financial position includes goodwill of £45.1m, which is allocated across both the Natural Resources and Transportation segments, and is subject to an annual impairment assessment. The Committee focused on the carrying value of goodwill within each segment and critically reviewed the key assumptions in relation to forecast operating margin, the discount rate and long-term growth rates. The Committee agreed with management's assessment that no impairment was required and that there was no reasonable possible change in assumptions that would give rise to an impairment.

### (D) Going concern and viability statement

The Committee considered the requirements of the 2018 Code as it applies to the Group's viability statement including the three-year period of assessment which aligns with the Group's planning horizon and the processes supporting the viability statement. The Committee considered the various scenarios that were presented as part of the viability assessment, which included a reverse stress test, mitigations and severe but plausible scenario analysis relating to the Group's principal risks.

The Committee assessed the appropriateness of the downside scenarios and determined that there was sufficient headroom to agree with the Board's confirmation that the Group has a reasonable expectation to continue in operation and meet its liabilities as they fall due over the viability period. Alongside the liquidity and debt positions of the business, the Committee determined that the three-year measurement period continued to be appropriate and that the viability statement (see page 56) should be recommended to the Board for approval. Please see note 2 on page 145 of the financial statements for going concern information.

### (E) Adjusting items

As set out in notes 2 and 3 of the financial statements from pages 144 to 155 management has used judgement to determine the items classified as adjusting items. The Committee has robustly reviewed and challenged each of the adjusting items, including as to the details of each item and whether they were genuinely exceptional, and discussed these with the Company's external auditor to inform the judgement.

### (F) Accounting and other regulatory developments

There are no significant changes to the Group's accounting policies in 2024.

The Company reports under Financial Reporting Standard 101 'Reduced Disclosure Framework', permitting certain disclosure exemptions in this annual report (see note 2 on page 144).

There are no other new standards in 2024, only amendments to existing standards (as disclosed in note 2). These amendments did not have any impact on the amounts recognised in prior or current periods and are not expected to materially affect future periods.

## Fair, balanced and understandable

The process to ensure the Group's financial statements, taken as a whole, are fair, balanced and understandable is:

- comprehensive guidance issued to all contributors
- verification process dealing with the factual content of the report
- review of the disclosure judgements made by the contributors from various functions
- comprehensive reviews undertaken to ensure consistency and overall balance
- review undertaken by the Committee prior to recommendation to the Board.

## Audit, risk and internal control

The Board assumes ultimate responsibility for the effective management of risk across the Group. However, the Committee supports the Board in its monitoring of the Group's internal financial controls and internal control and risk management systems, and monitoring and reviewing the work of the internal audit and risk functions.

## Internal audit

The internal audit and risk functions have an integral role in the Company's governance structure, providing independent assurance and advice to help the Group achieve its strategic priorities. The Committee agreed the 2024 audit plan to be undertaken by the internal audit team and assessed the adequacy of the budget and resources.

The audit plan is based on risk, strategic priorities and consideration of the control environment. Progress against the plan is monitored. The Committee reviews the results of the internal audit reports at each meeting.

Management is responsible for closing out actions to address issues raised by internal audit within the agreed timetable and the timely completion of such actions is reviewed by the Committee. Where internal or external circumstances give rise to an increased level of risk, the audit plan will be modified accordingly during the year, if appropriate.

The lead internal audit partner from Forvis Mazars reports to the CFO and has a direct relationship with the Committee chair with whom he has regular briefings without management present. The CFO line manages the risk and assurance director, who also has a direct relationship with the Committee chair.

At the December meeting, the Committee received a report from Forvis Mazars which covered progress against the 2024 audit plan together with the reasons certain audits had been paused or reprioritised, the status of management actions in response to audit findings and the proposed content of the 2025 audit plan, which was approved by the Committee.

The effectiveness of internal audit is assessed by the Committee by:

- reviewing the results of an annual questionnaire completed by individuals who have exposure to and contact with the internal audit function
- evaluating internal audit reports
- meetings with the chair of the Committee and with the Committee without management present.

The 2024 review concluded positive progress had been made during the year with a constructive relationship with management and production of audit reports of a high standard, with such reports benefitting from Forvis Mazars' independent perspective. Areas for further focus have been identified such as: improving communications on planning, execution and findings of audits; improving clarity on areas of focus earlier in the process; increasing the visibility of the internal audit function across the Company; and making subject matter experts available to assist with deeper dives in specific areas.

The Committee is satisfied the function is competent to deliver the 2025 internal audit plan.

## Internal control and risk

Details of the Group's internal control and risk management framework are more fully set out on pages 50 to 55 in the Strategic Report and on pages 67 and 73 in the Governance Report.

The Group's principal risks are set out on pages 52 to 55.

The Committee has evaluated the effectiveness of the systems operated within the Group pursuant to the FRC's guidance on internal control. The evaluation covered all material controls. They encompassed a review of: the management confirmation reports submitted by all senior management; assurance results; reports on malfeasance allegations; the Group's approach to anti-bribery and corruption, and whistleblowing; and reports from both the internal and external auditors.

The review did not identify any significant weaknesses in the system of internal control and risk management.

Improvements introduced in 2024 were as follows:

- Process and technical controls of commissioning were strengthened.
- A focussed campaign on Building Safety Act and fire engineering/construction fire safety was delivered.
- Focus on construction compliance and safety was maintained and new guidance introduced on rebar stability and safe lifting practices and excavation.
- In-house engineering team strengthened.
- IFRS compliant site work defect/rework system rolled out to ensure reporting compliance and to strengthen data on construction stage rework supporting future risk reduction.

# Audit and Risk Committee Report continued

## External auditor

The Company's external auditor is PwC. After a competitive tender process in 2016, PwC were appointed as auditor from the 2017 audit. Andrew Paynter has been our audit partner since the 2021 audit and will be retiring at the conclusion of the 2024 audit. I should like to record our thanks to him for supporting the Company for the past four years, whilst providing robust and effective challenge. Chris Richmond will succeed Andrew Paynter as audit partner in 2025.

Any issues in relation to the financial statements have been communicated to the Committee by the Auditor and addressed.

There were no interactions with the FRC's Corporate Reporting Review team or Audit Quality Review team in the year.

## Effectiveness of the external audit process

During the year, the Committee considered the effectiveness of PwC as external auditor. As part of this process, external audit effectiveness questionnaires were completed by members of the Committee, the executive directors, other members of the Executive Board and certain members of the finance and risk functions. As part of this evaluation, the committee considered the robustness of the audit process and the quality of delivery, reporting, people and service. Based on the responses to the questionnaires, the general counsel and company secretary produced a report for consideration by the Committee. The Committee confirmed that it remained satisfied with the efficiency and effectiveness of the external audit in respect of the year ended 31 December 2024. It was noted there was strong cooperation between PwC and Costain and that both PwC and Costain were committed to bringing continuous improvement to the process.

At its meeting in December 2024, the Committee considered and approved the external audit plan for the audit of the Group for the year ended 31 December 2024. The Committee considered significant risk areas for the audit, the proposed scope and the materiality threshold. Twelve subsidiary companies sought exemption from audit for 2024 as permitted under the relevant regulations, thereby improving Costain's efficiency.

## Auditor independence and objectivity

Auditor independence and objectivity are an essential part of the audit framework and the assurance it provides. The auditor's independence is therefore monitored throughout the year. For example, the Committee has reviewed PwC's own policies and procedures for safeguarding its objectivity and independence and the arrangements that PwC has in place to identify, report and manage conflicts of interest. PwC is required to rotate the lead audit partner every five years to ensure a fresh outlook without sacrificing institutional knowledge. Andrew Paynter became lead audit partner effective for the 2021 audit and will be stepping down following the 2024 audit on his retirement.

The Committee is not aware of any relationships between the external auditor, the Company or members of the Committee, that bear on the external auditor's integrity, independence and objectivity. The Committee reviews all services being provided by the external auditor annually to assess its independence and objectivity. The Committee takes into consideration relevant performance and regulatory requirements to ensure these are not impaired by the provision of permissible non-audit services (see below).

The Committee believes the independence and objectivity of PwC and the effectiveness of the audit process remains strong and has therefore recommended the reappointment of PwC for 2025.

## Non-audit fees

During the year, the Committee reviewed the policy on the provision of non-audit services by the external auditor (which, as above, ensures that such services do not impair the independence or objectivity of the external auditor) and determined that no changes were required to the policy originally adopted in 2021 and reviewed annually. The policy sets out a number of key principles that underpin the provision of non-audit services by the external auditor: the external auditor should not audit its own firm's work; make management decisions for the Group; have a mutuality of financial interest with the Group; or be put in the role of advocate for the Group.

In 2024, the value of non-audit work performed by PwC for the Group was less than £0.1m (2023: less than £0.1m) other than in relation to the review of the half-year financial statements.

## Whistleblowing and counter-fraud/integrity

Costain's internal fraud and ethics lead continues the valuable work of whistleblowing investigation, promoting Costain's 'integrity' value and mitigating risk of malfeasance.

All new staff across the Company are required, as part of their onboarding process, to complete a module which identifies the importance of acting with integrity at all times and includes details of the Company's whistleblowing line provided by an independent third party. During 2024, all staff were required to complete the annual 'Code of Conduct' training, which included modules on the responsibility of all employees to call out wrongdoing and the Company's gifts and hospitality policy. For 2024, the communication cascade of the Code of Conduct training includes a video from the chief executive officer as to the importance of the training.

During 2024, the Committee received six-monthly reports on the nature and number of referrals to the whistleblowing line, the outcomes of the resulting investigations and any process improvements that were recommended, and also the work done to further improve the Company's fraud risk management framework. There were 51 whistleblowing reports in 2024, some of which related to the same allegation. These reports were made via the whistleblowing line or referred directly to the Company's fraud and ethics lead.

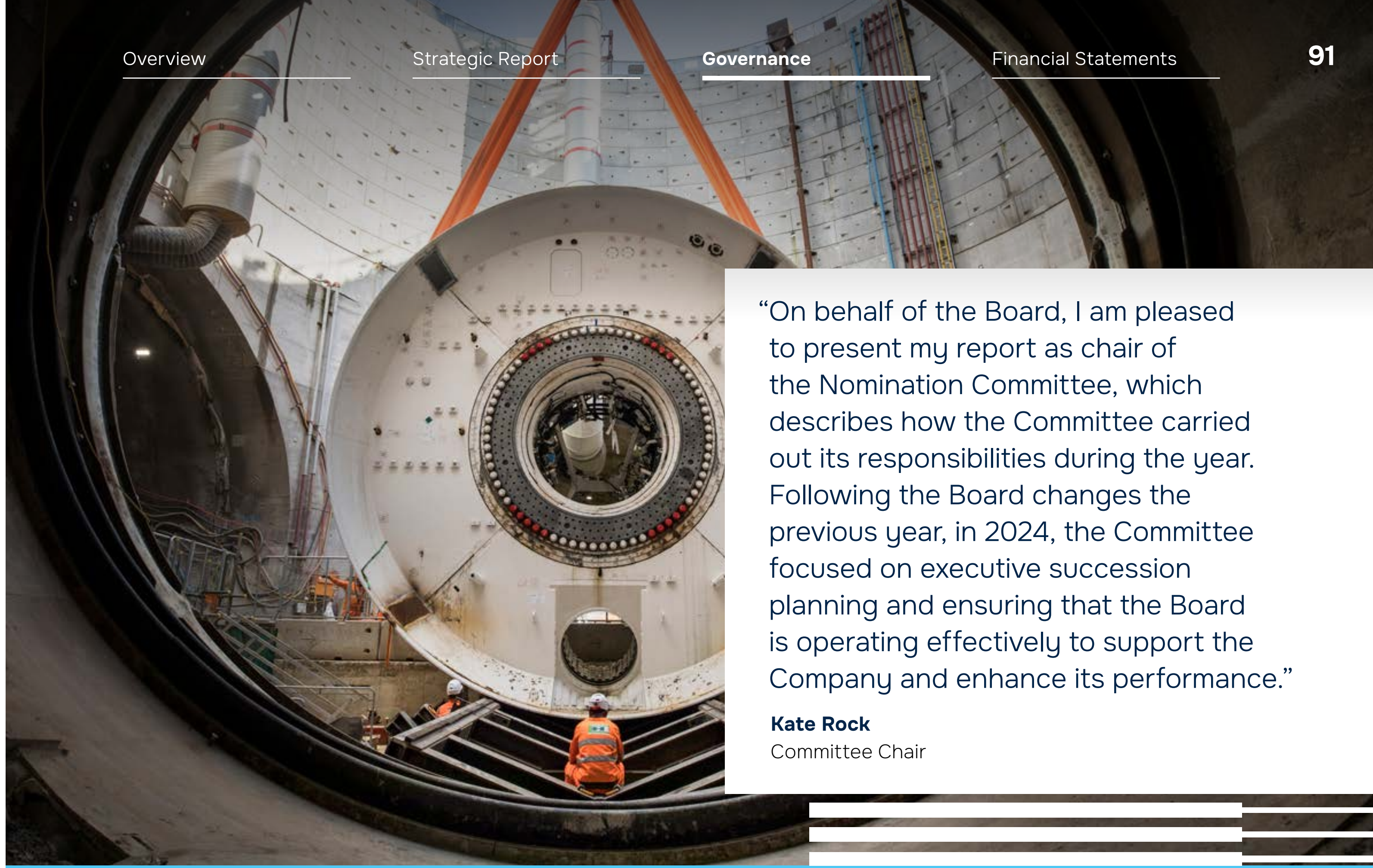
## Committee Performance Review

As described on page 71, the Board Performance Review was externally facilitated. The review concluded that the Committee operated at a high standard with a good level of debate and challenge and was led by an experienced and capable chair. It was well supported by both the external and internal audit teams. It was also noted that, whilst the quality of information submitted to the Committee had improved, the Committee papers tended to be very detailed and could benefit from simplification. This feedback is being actioned as part of the Board Effectiveness actions described on page 71.

**Tony Quinlan**
Committee Chair

10 March 2025





"On behalf of the Board, I am pleased to present my report as chair of the Nomination Committee, which describes how the Committee carried out its responsibilities during the year. Following the Board changes the previous year, in 2024, the Committee focused on executive succession planning and ensuring that the Board is operating effectively to support the Company and enhance its performance."

**Kate Rock**
Committee Chair

# Nomination Committee Report

## The Committee recommended to the Board the nomination of a workforce engagement director.

| Committee members | Attendance |
|---|---|
| Kate Rock | 100% |
| Bishoy Azmy[1] | 0% |
| Amanda Fisher | 100% |
| Fiona MacAulay | 100% |
| Steve Mogford | 100% |
| Tony Quinlan | 100% |

Meetings held

2

1 Bishoy Azmy was the designated representative director of ASGC Construction L.L.C, Costain's largest shareholder until 13 September 2024. Mr Azmy stepped down from the Board on 31 March 2024. Mr Azmy appointed Kate Teh as his representative and she attended the March meeting of the Committee (see page 70 for more information).

The composition of our Board and Executive Board can be found on pages 58 and 59, and 60 and 61 respectively of this annual report.

## Nomination Committee Report continued

### Governance of the Committee

The Nomination Committee (the Committee) is comprised of myself as chair together with the other non-executive directors. The members of the Committee, together with their biographies, are shown on pages 58 and 59 and details of their attendance at Committee meetings is shown pages 72 and 91. The general counsel and company secretary is secretary to the Committee. The Committee met twice in 2024.

Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the chief executive officer, chief financial officer, chief people and sustainability officer, members of senior management and external advisers may be invited to attend meetings as and when appropriate.

The outcome of all Committee meetings is reported to the Board for its consideration. The Committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

### Role of the Committee

In accordance with its terms of reference, which remain unchanged following a review in December 2024 (see page 66), and in compliance with the 2018 and 2024 Codes, the Committee is responsible for:

- reviewing the overall size, structure and composition of the Board
- identifying and nominating candidates, for the Board's approval, to fill Board vacancies as and when they arise
- receiving notifications from directors of situations, such as proposed external appointments, in which a potential conflict of interest might arise and/or their time commitment to the Board could be compromised
- recommending to the Board the reappointment of those directors who are offering themselves for re-election at the Annual General Meeting following due consideration of the Board's policy on independence and the results of periodic Board performance reviews
- formulating plans for succession for both the executive directors and non-executive directors
- reviewing succession planning arrangements and development plans for other senior employees
- reviewing periodically the effectiveness of the Committee's own performance, which forms part of the regular evaluation and development work conducted by the Board to ensure it continues to improve its overall effectiveness.

### Board diversity

The Company recognises the importance of diversity at the Board and all levels of the Group. The diversity and inclusion policy adopted in December 2023 and refreshed in December 2024 applies to the Board and its Committees and covers broad diversity aspects such as sexual orientation, disability and socio-economic background.

During the year, Bishoy Azmy, who had served on the Board for four years as the designated Board representative of ASGC, the Company's largest shareholder, stepped down from the Board. Following this, the Board is entirely composed of directors of white ethnicity. In considering future Board appointments, the Board will seek to ensure that a diverse slate of candidates is considered for each position. Appointments will continue to be made on business merit, but taking account of the importance of having diverse perspectives on the Board.

Further details of the work undertaken to support the development of a diverse pipeline, our measurable objectives that have been set for implementing the policy, and progress made in achieving these objectives, can be found on pages 78 and 79 .

Over the last few years, we have increased the diversity of our workforce, reduced our gender pay gap and created a more inclusive environment. However, while progress has been made and strengths recognised, there continues to be a lack of ethnic diversity in Costain senior leadership roles, together with lower levels of diversity in contract leadership roles. This is a trend reflected across the industry. However, across the total workforce, our diversity is improving. The limited diversity within the talent pools identified for senior management succession emphasises the need for our continued focus on our equality, diversity and inclusion (EDI) targets and ambition, and why we have decided to extend the EDI targets in our 2024 LTIP to a wider leadership population (see page 113 of the Directors' Remuneration Report).

By appreciating and celebrating our differences, we are creating a more dynamic and inspiring workplace for our employees thereby supporting the long-term performance of the Company. We work hard to ensure our workforce reflects the diverse communities we serve, and that we create an inclusive culture where each employee can truly thrive and perform at their best at work. Embracing diversity underpins our commitment to providing equal opportunities to our current and potential employees and applying fair and equitable employment practices.

For more information on our ethnicity and gender pay gaps, please see pages 44 and 45 and our separate integrated gender and ethnicity pay gap report at www.costain.com.

Following changes in the year, female representation at Board level has increased to 57% and the representation of ethnic minorities has decreased to 0%.

Our principles on Board diversity also apply to the Executive Board and currently 50% (four of eight) of our Executive Board are female and 12.5% (one of eight) of our Executive Board is of non-white ethnicity.

### Committee Performance Review

An externally facilitated Board Effectiveness Review was undertaken during 2024 and is described in further detail on pages 63 and 71. This review emphasised the importance of focusing on executive succession planning not only for the CEO and CFO roles, but also for the wider executive team. In December, the Committee discussed succession plans for various executive roles considering both long-term and emergency succession planning.

The Board Performance Review also recommended the appointment of one of the non-executive directors as workforce engagement director and the establishment of a Sustainability Committee. See pages 66, 71 and 93.

### Activities in 2024

Following the appointment of Amanda Fisher and Steve Mogford at the end of 2023, there have been no additional Board appointments during 2024. Bishoy Azmy stepped down as non-executive director on 31 March 2024.



**Skills and competencies (all 7 directors*)**


* Self-assessment based on strong or very strong experience.

The Committee's work during the year has therefore focused on Executive Board composition, succession and development, ensuring we have the right balance of skills, experience and diversity at the most senior level of our business. During the year, the Executive Board was strengthened by the appointment of Jonathan Willcock as managing director, Transportation in April 2024 and the appointment of Paul Morris as Group commercial director in July 2024. The Committee has also considered succession plans for the roles of CEO and CFO as well as the wider executive team.

The Committee has also considered and discussed some of the recommendations from the externally facilitated Board Performance Review relating to the nomination of a workforce engagement director (to lead the Board in our engagement with employees and the wider workforce) and the establishment of a Sustainability Committee (to provide strategic direction and oversight in relation to sustainability matters). Since the year end, the Committee and Board have named Amanda Fisher as workforce engagement director.

### Directors

At the 2024 and 2025 AGMs, all our directors in post at the time stood or are standing for election or re-election, as required by the 2018 and 2024 Codes.

The Committee considered all Board members' other appointments and commitments and the impact on their time availability in view of general investor concerns regarding overboarding. All new external appointments have been approved by the Board, as required under the 2018 Code, as have any actual or potential conflicts of interest.

For example, in 2024, Steve Mogford advised the Committee that he had been offered an additional role as non-executive director of Intertek plc and Fiona MacAulay advised that she had been asked to take the role of senior independent director at Chemring plc (in addition to her role as non-executive director).

The Committee considered the nature of both these roles and the time commitment required and determined they would not represent a conflict of interest nor impact the amount of time Mr Mogford and Ms MacAulay could devote to their roles at Costain and therefore concluded that these additional appointments be approved.

The Committee reviews the balance of skills on the Board on an annual basis and each director self-assesses their level of expertise against each category determined as important by the Committee as summarised in the table above. The Committee, on behalf of the Board, is satisfied that Board members have sufficient time, knowledge and commitment to discharge their roles at Costain effectively. This has been evidenced during the past year when Board members have again contributed fully and effectively.

### Appointment of directors

There were no Board changes in 2024, other than the retirement of Bishoy Azmy. The Nomination Committee has reviewed the Board skills matrix above and has determined that there is currently a good balance on the Board of the skills required by this Board.

In the event that a need for additional directors arises, the Committee will follow a rigorous and transparent process working with an external search partner to scope the role and ensure that a diverse slate of candidates is considered. Shortlisted candidates will be interviewed by the chair, senior independent director and other Board members and considered by the Committee prior to making a recommendation to the Board for appointment.

**Kate Rock**
Committee Chair

10 March 2025


"Our remuneration policy is designed to be simple and transparent, aligned with delivering our strategy to transform the Group, and ultimately supporting the creation of long term sustainable shareholder value. We always consider the wider workforce, our shareholders and other stakeholders by taking a fair, prudent and balanced approach to remuneration."

**Fiona MacAulay**
Chair of the Remuneration Committee

Directors' Remuneration Report

# Strong performance across financial, health, safety and environmental measures.

| Committee members | Attendance |
| --- | --- |
| Fiona MacAulay | 100% |
| Amanda Fisher | 100% |
| Steve Mogford | 100% |
| Tony Quinlan | 100% |

**Meetings held**

3



## Directors' Remuneration Report

# Remuneration at a Glance

## Actual remuneration of our executive directors for 2024 and application of policy for 2025

| | CEO – Alex Vaughan | CFO – Helen Willis |
| --- | --- | --- |
| **Base salaries** | 2024 £515,700<br>2025 £536,328 | 2024 £428,300<br>2025 £443,291 |
| **Pension** | 10% of salary in line with wider workforce | 10% of salary in line with wider workforce |
| **AIP – maximum opportunity** | 2024: 150% of salary<br>2025: 150% of salary | 2024: 150% of salary<br>2025: 150% of salary |
| **LTIP – maximum opportunity** | 2024: 100% of salary<br>2025: 100% of salary | 2024: 100% of salary<br>2025: 100% of salary |
| **Single figure total for 2024** | **£2,443,512** | **£2,038,632** |

## How was our performance reflected in executive director pay for 2024?

### AIP – Award earned by executive directors for 2024

| | Adjusted operating profit[1] (max opportunity: 40%) | Profit secured for 2025 (max opportunity: 15%) | Cash flow[2] (max opportunity: 15%) | Safety, health and environment (max opportunity: 10%) | Personal performance (max opportunity: 20%) | Total achieved (% max) | Actual pay-out (% of salary)[3] |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Alex Vaughan** | 33% | 15% | 11% | 10% | 20% | 89% | 133.5% |
| **Helen Willis** | 33% | 15% | 11% | 10% | 20% | 89% | 133.5% |

1 See definition on page 148. Target underpinned by 90% cash conversion.
2 Measured as average month-end cash balances, pre-acquisition and investments.
3 33% of the value of the AIP award for 2024 will be deferred into shares under the Share Deferral Plan (SDP).

### LTIP – Award vesting for performance over the three years ending 31 December 2024

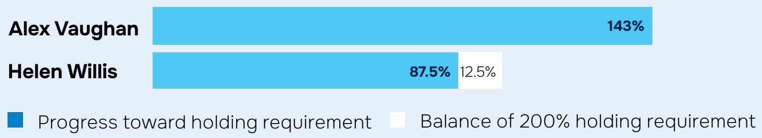
| | Aggregate adjusted EPS[4] for financial years ended 31 December 2022, 2023 and 2024 (two thirds of the award) | Cash conversion (one third of the award) | Total Achieved |
| --- | --- | --- | --- |
| **Alex Vaughan**<br>**Helen Willis** | 34.7 pence (maximum vesting level: 33.7p or more) | 137% (maximum vesting level 100% average cash conversion) | 100%[5] |

### Ensuring shareholder alignment

33% of AIP bonus is automatically deferred into Costain shares with a two-year holding period.

Subject to performance targets being met, LTIP shares vest after three years but will only be released after five years.

**Share Ownership Guidelines are set at 200% of salary for the executive directors.**




4 Measured as adjusted basic earnings per share (see definition on page 148), further adjusted to exclude pension scheme interest.
5 The awards vest in April 2025 but are subject to a two-year holding period following the end of the performance period.

## Directors' Remuneration Report continued

### Alignment of our Remuneration Policy with our strategy

**People**

Executive directors' role specific objectives under the AIP are linked to talent development, succession and progressing the Group's inclusion strategy.

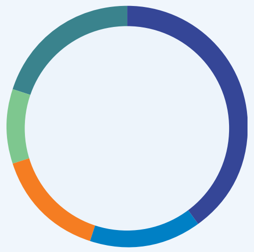
**Planet**

We hold ourselves accountable to the highest safety, health and environment standards and are committed to operating sustainably, ethically and inclusively.

**Performance**

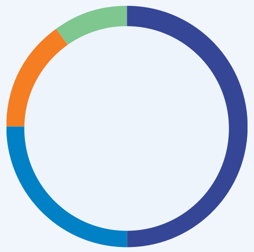
Our core financial and strategic objectives, critical to the success of our long-term strategy, are largely embedded within the executive remuneration framework through the AIP and LTIP.

**AIP performance metrics – 2025**



- 40% Adjusted operating profit with 90% cash conversion
- 15% Profit secured for 2026
- 15% Cash flow
- 10% Safety, health & environment
- 20% Personal performance

**LTIP performance metrics – 2025**



- 50% EPS
- 25% Absolute TSR
- 15% Environmental: Reduction in water pollution incident rate
- 10% Social: Gender and ethnic diversity

### Wider workforce

**All employee share plan – 32% take-up of eligible employees under the SAYE Plan.**

**The annual salary review budget for April 2025 will be 3.5%, allocated based on performance and position in salary range.**

**324 people were promoted in 2024.**

**752 people transferred roles in 2024.**

**We are committed to paying the real living wage to all employees.**

**Achieved Best Companies 1-Star status for the third consecutive year – a 'Very Good Company to Work For' with 95% of employees agreeing that health and safety is taken seriously and 84% of employees agreeing that their line manager exhibits the Costain behaviours (see page 83 in the Governance Report for more information).**

**Percentage of females in senior management positions: 38% at 31 December 2024 (see page 78).**

**We achieved our 2024 target to become an accredited Disability Confident Leader (level 3).**

**In our wider leadership community, 8% of colleagues are BAME (Target: 9%) and 19% female (Target 22%).**



# Annual Statement by Chair of the Remuneration Committee

I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2024. Our report explains the work of the Committee and how we have implemented our remuneration policy. A summary of how the pay for our executive directors is aligned with delivering our strategy and our performance in 2024 is shown in the 'Remuneration at a Glance' section on pages 95 and 96.

The annual report on Remuneration (on pages 104 to 120) describes how the policy has been applied for the period ended 31 December 2024, and how we intend to implement the policy for the 2025 financial period and is subject to an advisory vote at the 2025 AGM.

### 2024 remuneration in the context of our business performance and outcomes for our key stakeholders

The Committee has as usual considered executive remuneration in the light of outcomes for the wider workforce, our shareholders and other stakeholders by taking a fair, prudent and balanced approach to remuneration.

- Our revenue performance in 2024 reflects continued growth in Natural Resources (including Defence and Nuclear Energy).
- Increased adjusted operating profit has been driven mainly by improved performance in Transportation resulting from a better margin mix.
- Strong adjusted free cash flow reflects increased operating cash flow and financial income, together with positive working capital movements in FY24, resulting in a FY24 net cash position to £158.5m (FY23: £164.4m).
- Following the resumption of dividends in 2023, a dividend of 0.8p per share was paid in May 2024, with the Board approving an interim dividend of 0.4p per share paid in October 2024 and a final dividend of 2.0p per share to be paid in May 2025.
- The Company returned a further £10m of value to shareholders in 2024 via its buyback programme.
- We have had strong positive safety and health performance during 2024, evidenced by a decrease in our LTIR rate. Our LTIR rate for the year was 0.11 (FY23: 0.12).
- Testament to the steps we have taken to drive progressive, inclusive change, Costain has been recognised as a Disability Confident Leader and in June, we were listed as one of the Times Top 50 Employers for Gender Equality 2024.
- We continue to drive towards our goal to achieve Net Zero greenhouse gas emissions by 2045 with progress during the year including implementing a new carbon data tool that will fundamentally improve how data is collected across all emission scopes, including Scope 3 emissions.
- The all-employee pay rise for 2024 was 4% (excluding promotions, the graduate half-year review and the structured increases for our apprentices). Increases were targeted to provide meaningful awards with a focus on delivering higher increases to those identified as being paid below market and high performers. Our latest all-employee engagement survey showed high levels of engagement and an increased Best Companies Index score.

### Executive director base salary increases and variable pay outcomes for the year ended 31 December 2024

We explained in the 2023 Directors' Remuneration Report that Alex Vaughan's salary was positioned at the lower end of the market compared to similar sized companies and sector peers and did not reflect his strong performance. A review of executive director salaries in 2023 confirmed that the salary remained significantly below the market competitive rate. Therefore, and as reported last year, Alex Vaughan received a salary increase of 10% in 2024, the first phase of a stepped increase implemented to ensure his salary is reflective of individual performance, experience and responsibilities. Helen Willis received a salary increase of 10% in 2024 in recognition of the increased scope of her role to include responsibility for the internal IT function and her exceptional performance.

The 2024 AIP was subject to a mixture of financial and non-financial performance measures aligned with key strategic priorities. 70% was based on financial measures (Adjusted operating profit, profit secured for 2025 and cash flow), and 30% on non-financial measures (safety, health and environment and personal performance).

Based on the performance against these measures, Alex Vaughan and Helen Willis each earned an AIP equal to 133.5% of salary. One third of the AIP earned will be deferred into shares for two years. Further details are set out on pages 107 to 108.

The LTIP award granted in April 2022 was subject to EPS performance for two thirds of the award and cash conversion performance for the balance of the award. Aggregate EPS performance over 2022, 2023 and 2024 was 34.7p and as a result 100% of this element vested. Average cash conversion over the period was 137% and as a result 100% of this element vested. The 2022 LTIP award is therefore due to vest at 100% in April 2025. When determining the vesting outcome, the Committee considered whether the formulaic outcome was an appropriate reflection of the underlying business performance. As part of this assessment, the Committee considered the gain attributable to the appreciation in share price since the date of grant noting that the number shares awarded under the LTIP in 2022 was based on a share price of 39.7p and the average share price over the three months ended 31 December 2024 was 104.9p. The Committee also considered the impact of the share buyback programme on EPS performance. The Committee considered whether a 'windfall gain' had occurred for the LTIP participants as a result of either of these circumstances. The Committee concluded that given the overall strong performance and the value delivered to shareholders over the three-year performance period, through the enhanced share price over the period, the resumption of the dividend in 2023 and the share buyback in 2024, the outturn was fair and that neither of these circumstances produced a 'windfall gain' for the LTIP participants. The Committee concluded that no adjustment to the vesting outturn was required. The Committee further noted that LTIP awards will be subject to a two-year holding period, so that the Executive Directors are aligned with the experience of shareholders by reference to share price performance over a longer period. Further details are set out on page 109.

# Directors' Remuneration Report continued

In line with good practice, these incentive outcomes were reviewed in the broader context of the stakeholder experience. The Committee considered that these outcomes are a fair reflection of the Group's underlying financial performance achieved in 2024 and the past three years. The Committee also noted the good progress made on our journey to transform the business, reduce risk and improve returns for the benefit of our shareholders, employees, suppliers, customers and communities. As a result of these factors, the Committee determined the outcomes as set out on the previous page to be appropriate.

## 2024 LTIP awards

LTIP awards were granted to the executive directors in April 2024 at a level of 100% of salary. Awards are subject to adjusted EPS performance as regards 50% of the award, absolute TSR performance as regards 25% of the award and ESG performance as regards 25% of the award. Further details, including the performance targets are set out on pages 110 and 111.

## Reward for the year ending 31 December 2025

**Executive Director base salary increase:**

- As set out in the 2023 Directors' Remuneration Report, following a review, the Committee approved a stepped increase for Alex Vaughan of 10% in 2024 and a further 4% increase in 2025. Therefore, his base salary will increase to £536,328 effective from 1 April 2025.
- Helen Willis will receive a salary increase for 2025 of 3.5% (in line with the increase awarded to the wider workforce), increasing her salary to £443,291 with effect from 1 April 2025.
- **AIP:** The maximum AIP opportunity for executive directors will be 150% of salary. The AIP will continue to be weighted 70% on financial measures, 10% on safety, health & environment and 20% on personal performance. Details of the AIP performance measures are provided on page 112 and targets with performance against them will be provided in the 2025 Directors' Remuneration Report. One third of the AIP earned will be deferred into shares for two years.
- **LTIP:** The maximum LTIP opportunity for executive directors will be 100% of salary. Vesting will be subject to adjusted EPS performance as regards 50% of the award, absolute TSR performance as regards 25% of the award and ESG performance as regards 25% of the award. Within the ESG performance measures, the environmental measure will be the reduction in water pollution incident rate and the social measure will continue to be gender and ethnic diversity. Details of the LTIP performance measures and targets are provided on pages 113 and 114. LTIP awards which vest are only released after five years, thereby ensuring long-term alignment of the executive directors' and shareholders' interests.

## Our Directors' Remuneration Policy

Our current remuneration policy was approved at the 2023 AGM with over 97% of the votes cast in favour of it. We were also pleased to see strong support for the 2024 Directors' Remuneration Report, with 88% of votes cast in favour of it. In line with the usual timetable, we will be seeking shareholder approval for a new directors' remuneration policy at the 2026 AGM. During the course of 2025 the Committee will review the full policy to consider its alignment to our ongoing strategy and investor expectations. We will engage with shareholders in relation to our proposed approach in advance of the publication of the 2025 Directors' Remuneration Report.

## Conclusion

We remain committed to a responsible approach to executive pay and believe the policy operated as intended during the year. The decisions made as a Committee regarding remuneration earned in respect of 2024 demonstrate our commitment to ensuring that executive directors' reward is aligned with performance and the outcomes for all our stakeholders.

We look forward to receiving your support at our 2025 AGM, where I will be available to respond to any questions that shareholders may have on this report, or our intended approach to reward for 2025.

**Fiona MacAulay**
Committee Chair

10 March 2025

## Definitions used in this report

**AIP:** Annual Incentive Plan.

**Adjusted operating profit:** Adjusted operating profit excludes adjusting items, which are significant items of income and expenditure that the Board considers do not reflect the long-term performance of the Group. See note 2 of the financial statements on pages 144 to 153 for adjusted metric details and definitions.

**Adjusted EPS:** Adjusted earnings per share is calculated using adjusted profit. See note 2 of the financial statements on pages 144 to 153 for adjusted metric details and definitions. Underlying earnings per share is then further adjusted by the Remuneration Committee to exclude pension interest to ensure that the performance measures are assessed on a consistent basis year-to-year.

**LTIP:** Long-Term Incentive Plan (and including where relevant the plans approved in 2014 and 2023).

**SDP:** Share Deferral Plan (and including where relevant the plans approved in 2014 and 2023).

### Remuneration disclosure

This report, approved by the Board, has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure Guidance and Transparency Rules.

In this report we describe how the principles of good governance relating to directors' remuneration, as set out in the 2018 UK Corporate Governance Code, are applied in practice. The Committee, when determining the policy, addressed the factors in Provision 40 of the Code as follows:

**Clarity** – remuneration arrangements are simple and transparent and take account of pay policies for the wider workforce.

**Simplicity** – we follow a conventional UK market approach to remuneration with established incentive plans that operate on a clear and consistent basis.

**Risk** – performance targets are set to reward sustainable business performance, while not encouraging inappropriate business risks to be taken.

**Malus and clawback provisions** – apply to AIP and LTIP awards, and the Committee has the means to apply discretion and judgement to vesting outcomes. The post-employment shareholding requirements further align the interests of executive directors with those of shareholders following the end of employment.

**Predictability** – details of the potential values that may be earned by executive directors through their remuneration arrangements are set out in the policy.

**Proportionality** – the AIP and LTIP performance measures are clearly aligned to the Group's strategic objectives. The Committee takes into account underlying business performance and the experience of shareholders and the wider workforce when determining vesting outcomes, ensuring that poor performance is not rewarded.

**Alignment to culture** – the Committee's intent is that the policy drives the right behaviours, and reflects the Group's purpose, values and strategy. The Committee regularly reviews the remuneration framework to ensure that this continues to be the case.

This report is unaudited unless otherwise stated.

## Directors' Remuneration Report continued

# Directors' Remuneration Policy

Our remuneration policy was approved by shareholders at our AGM on 11 May 2023, supported by over 97% of the votes cast. We have set out below the policy table and the full remuneration policy is available in the 2022 annual report on the Company's website at www.costain.com.

| Element | Purpose and link to strategy | Operation | Performance metrics | Maximum opportunity |
|---|---|---|---|---|
| **Salary** | • To attract and retain high-calibre individuals.<br>• Reflects skills, experience and performance in role.<br>• Provides an appropriate level of basic fixed income while avoiding excessive risk arising from over reliance on variable income. | • Generally reviewed annually (with any change usually effective from 1 April) but exceptionally at other times of the year.<br>• Set with reference to individual performance, experience and responsibilities.<br>• Reflects the market rate for the individual and their role, determined with reference to remuneration levels in companies of similar size and complexity, taking into account pay levels within the Company in general.<br>• Increases will usually not exceed the average salary increases for the wider workforce (in percentage terms).<br>• Higher increases may be awarded in appropriate circumstances, which include but are not limited to, where an individual is promoted or changes role or where an individual is appointed on a below market salary with the expectation that their salary will increase with experience and performance. | • n/a | • To avoid setting expectations of future salary increases there is no maximum salary value set under the policy. |
| **Annual Incentive Plan** | • To incentivise the achievement of key financial and strategic targets for the relevant year without encouraging excessive risk taking.<br>• Promotes greater alignment with shareholders.<br>• To facilitate share ownership. | • Two thirds paid in cash.<br>• Deferral into shares of one third of earned AIP; this vests following the end of a two-year deferral period, which ordinarily ends on the second anniversary of grant (subject, ordinarily, to continued employment and not being under notice of termination, either given or received, on the date of vesting). Deferred share awards may be granted as conditional awards or nil or nominal cost options.<br>• The Committee may decide not to operate deferral where the amount of the bonus otherwise to be deferred would, in the opinion of the Committee, be so small as to make deferral unduly administratively burdensome. Executives may, with the approval of the Committee, elect for a greater proportion of the AIP award to be deferred into shares.<br>• Deferred share awards may include the right to receive a benefit determined by reference to the value of dividends that would have been paid by reference to dividend record dates ending on the date on which shares can first be acquired. The benefit may assume the reinvestment of dividends into Costain's shares on such basis as the Committee determines.<br>• Shares provided under the AIP are typically purchased by a trust on behalf of the Group so as to not lead to any dilution of shareholder interest.<br>• Awards may be subject to malus and clawback as described below.<br>• Not pensionable. | • The Committee considers and approves the performance measures and targets each year and ensures they are aligned with business strategy and are sufficiently stretching.<br>• Financial metrics will comprise at least 50% of AIP opportunity. Any balance of the AIP opportunity will be based on financial metrics and/or non-financial metrics such as safety and health targets and personal objectives.<br>• In setting financial parameters, the Committee takes into account the Company's internal budgets and, where applicable, brokers' forecasts. The targets applying to financial measures are based on a sliding scale between 0% and 100%. Subject to the discretion to amend the pay-out as referred to below, up to 60% of the maximum potential will be earned for on-target performance. The targets applying to non-financial measures are based on a sliding scale between 0% and 100%.<br>• The Committee may amend the pay-out if it considers that the level of vesting that would otherwise apply is not appropriate, including where that level would materially deviate from the intention of the policy, is unreflective of underlying financial or non-financial performance of the Group or executive director over the relevant period or is not appropriate in the context of unexpected or unforeseen circumstances. | • Maximum: 150% of salary.<br>• The combined AIP and LTIP maximum opportunities for any year may not exceed 250% of salary. |
| **Long-Term Incentive Plan** | • Aligned to main strategic objectives of delivering sustainable performance which in turn should deliver enhanced returns. | • Annual grant of performance shares, which vest subject to performance measured, usually over three years. Awards may be granted as conditional awards or nil or nominal cost options or, as referred to below in relation to 'Qualifying LTIP' awards, as options with an exercise price equal to the market value of a share when the option is granted.<br>• Awards are subject to a further holding period of two years following the end of the performance period before they are released.<br>• LTIP awards may include the right to receive a benefit determined by reference to the value of dividends that would have been paid on vested shares by reference to dividend record dates in the period ending on the date on which the vested shares can first be acquired. The benefit may assume the reinvestment of dividends into Costain's shares on such basis as the Committee determines.<br>• Awards may be subject to malus and clawback as described below.<br>• The Committee may, at its discretion, structure an LTIP award as a 'Qualifying LTIP' award consisting of a tax-qualifying option with an exercise price equal to the market value of a share when the option is granted, and an 'ordinary' LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on the exercise of the tax-qualifying option. The provisions of this policy will apply to a tax-qualifying option with any amendments necessary to take account of the applicable tax legislation. | • The performance condition will be based on one or more key metrics aligned to the business strategy, including but not limited to EPS, return measures, cash-based measures, strategic/transformation measures and/or environmental measures.<br>• At least 75% of the opportunity will be subject to financial and/or share price measures.<br>• Subject to the discretion to amend the pay-out as referred to below, up to 25% of the maximum is earned for threshold performance, rising to 100% for maximum with straight-line vesting usually applying between these points.<br>• The Committee has discretion to vary the formulaic vesting outturn if it considers that the level of vesting that would otherwise apply is not appropriate, including where that level would materially deviate from the intention of the policy, is unreflective of underlying financial or non-financial performance of the Group or executive director over the vesting period or is not appropriate in the context of circumstances that were unexpected or unforeseen at the grant date. | • LTIP awards with a face value of not more than 150% of salary.<br>• The combined AIP and LTIP maximum opportunities for any year may not exceed 250% of salary.<br>• If a Qualifying LTIP award is granted, the value of shares subject to the tax-qualifying option will not count towards the limits referred to above, reflecting the provisions for the scale back of the ordinary LTIP award. |
| **SAYE Scheme** | • Offered to all UK employees, to facilitate share ownership and provide further alignment with shareholders. | • Periodic grants which normally vest after three or five years subject to continued service.<br>• Operated under HMRC requirements as a tax-qualifying plan. | • Not subject to performance conditions in line with usual practice. | • Participation on the same basis as all other employees. |
| **Pension** | • To aid retention and remain competitive in the marketplace. | • Annual pension allowance.<br>• Paid as a cash contribution to the Defined Contribution pension scheme, personal pension arrangements and/or a cash supplement. | • n/a | • A percentage of base salary not exceeding the pension contribution available to the majority of the wider workforce (which is currently 10%). |
| **Other Benefits** | • To aid retention and be competitive in the marketplace.<br>• Healthcare benefits to minimise business disruption. | • Company car (or car allowance) and fuel allowance.<br>• Medical insurance.<br>• Life assurance.<br>• Other benefits as appropriate, for example, relocation expenses and travel and subsistence. | • n/a | • n/a |

# Directors' Remuneration Report continued

## Share ownership guidelines

The Company has adopted share ownership guidelines to provide further alignment between the interests of the Board and the Company's shareholders. During employment, executive directors are expected to build and maintain a shareholding worth not less than 200% of base salary. Shares subject to LTIP awards for which the performance period has ended (i.e. which are in a holding period, or which have been released but which are not exercised) and shares subject to SDP awards count towards the shareholding guideline, on a net of assumed tax basis. Executive directors are required to retain half of the shares acquired pursuant to the LTIP and SDP (after sales to cover tax) until the shareholding guidelines are met.

The Committee has adopted a post-employment shareholding requirement. Shares are subject to this requirement only if they are acquired from share plan awards (LTIPs and SDP awards) granted after 1 January 2023. Following employment, an executive director must retain:

- for the first year after employment, such of their shares which are subject to the post-employment requirement as have a value for these purposes equal to 200% of salary;
- for the second year after employment, such of those shares as have a value for these purposes equal to 100% of salary;

or in either case and if fewer, all of those shares. The Committee retains discretion to vary the application of the post-employment shareholding requirement in compassionate circumstances.

## Notes

### Performance measures

The choice of the performance metrics applicable to the AIP reflects the Committee's aim that our annual incentives should balance the delivery of stretching financial performance with non-financial indicators. For 2024 and 2025, these non-financial indicators include safety, health and environment targets, and personal objectives, with further information on pages 107, 108 and 112.

As set out above, at least 75% of the LTIP opportunity will be subject to financial and/or share price measures, with any balance based on strategic/transformation measures and/or environmental measures. For 2023, 2024 and 2025, the LTIP financial/share price metrics which apply to 75% of the awards in aggregate are based on long-term earnings performance which is aligned with the financial performance expected by our shareholders, and a TSR measure in order for there to be a clear alignment of executive directors' interests with value created for shareholders and having regard to the importance of execution of the strategy translating to increases in Costain's share price. The balance of the 2024 and 2025 awards are based on environmental and social measures, with further information on pages 111 and 113.

AIP and LTIP performance measures may be adjusted if the Committee considers that it would be appropriate to amend the performance measures (e.g. to take into account a material acquisition or divestment) so that they achieve their original purpose.

### Recovery provisions

The AIP (including the deferred awards delivered under the SDP) and LTIP awards are subject to 'malus' and 'clawback' provisions as follows.

For up to two years following the payment of the cash element of an AIP award, the Committee may require repayment of all or part of the bonus in the event of a material misstatement or error in assessing performance measures which has led to an overpayment of the bonus or in the event of dismissal due to gross misconduct, or in the event of criminal behaviour, serious reputational damage or serious corporate failure. Some or all of a deferred share award under the SDP may be clawed back (via a cancellation of the award) prior to vesting in equivalent circumstances.

For up to two years following the vesting of an LTIP award (or part of an LTIP award) the Committee may require the repayment of all or part of the award (which may be effected by the cancellation of unvested LTIP awards or vested but unreleased LTIP awards) in the event of a material misstatement or error in assessing performance measures which has led to an award vesting to a greater degree than would otherwise have been the case or in the event of dismissal due to gross misconduct, serious corporate failure or serious reputational damage.

### Incentive plan operation

The Committee will operate the AIP, SDP, LTIP and SAYE Scheme according to their respective rules.

Share awards under the SDP, LTIP and SAYE Scheme (and any applicable performance conditions) may be adjusted in the event of a variation of the Company's share capital or a demerger, special dividend or other event which affects the market price of a share. Share awards under the SDP and LTIP may be satisfied, in whole or in part, in cash, although the Committee has no intention to settle any executive director's award in cash and would do so only in exceptional circumstances, such as where there was a regulatory restriction on the delivery of shares, or to settle tax liabilities arising in connection with the acquisition of shares. Awards may vest early, in accordance with the plan rules, in the event of a change of control or other relevant event (such as a winding-up or demerger). Where an LTIP award vests early, the extent of vesting will be determined taking into account the extent to which the performance condition has been satisfied (as assessed by the Committee) and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed.

## Remuneration policy for chair and non-executive directors

| Element | Purpose and link to strategy | Operation | Maximum opportunity |
|---|---|---|---|
| **Fees and relevant benefits** | Attract and retain high-performing individuals. | • Remuneration for non-executive directors, other than the chair, is determined by the Board, following consultation between the chair and the chief executive officer. The chair's fee is determined by the Board following consultation between the Committee and the CEO. Fees are typically reviewed annually and any increase is usually effective from 1 April.<br>• Remuneration for non-executive directors, other than the chair, comprises a basic annual fee for acting as non-executive director of the Company and additional fees for undertaking other roles such as senior independent director, and chair of the Audit and Risk and Remuneration Committees. Additional fees may also be paid for additional time commitments.<br>• Overall fees will remain within the limit set out in the Company's articles of association.<br>• The chair and non-executive directors do not participate in any variable pay or share scheme arrangement, although their fees may be paid in cash or shares.<br>• May be entitled to benefits such as travel and subsistence and secretarial support, or other benefits as appropriate. | • n/a |

## Legacy arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report where the terms of the payment were agreed before the policy came into effect provided, in the case of a payment whose terms were agreed after 7 May 2014 (the date of approval of the Company's first Directors' Remuneration Policy) and before this policy came into effect, the payment was permitted under the policy applying at the date the payment was agreed. For these purposes, 'payment' includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

## Consideration of employee views

There is no employee representation on the Committee. However, the Company liaises actively with employees through engagement surveys, site visits with Q&A sessions and the employee forum 'Your Voice'. The chief people and sustainability officer briefs the Board on employees' views, ensuring that the Committee's decisions are taken with appropriate insight to employees' views.

## Consideration of shareholder views

The Committee consulted with shareholders in relation to the development of this policy. On an ongoing basis, the Committee considers shareholder feedback received in relation to the AGM each year at a meeting following the AGM. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Committee's annual review of remuneration policy.

When there are material issues relating to executive remuneration or proposed changes in policy, we engage actively with major shareholders to ensure we understand the range of their views. When significant changes are made within the policy, the Committee chair will inform shareholders of these.

## Directors' Remuneration Report continued

# Annual Report on Remuneration

The annual report on Remuneration set out on 104 to 120 provides details of how our remuneration policy was implemented in the year ended 31 December 2024 and how we intend for it to apply for the year ending 31 December 2025. This annual report on Remuneration, excluding the summary of the 2023 Policy Report 100 to 103 will be subject to an advisory vote at the 2025 AGM.

### Governance of the Committee

The Remuneration Committee is comprised exclusively of independent non-executive directors. The members of the Committee, together with their biographies, are shown on pages 58 and 59 and details of their attendance at Committee meetings is shown below. The Committee is chaired by Fiona MacAulay. The general counsel and company secretary delegates to the deputy company secretary all company secretarial matters in relation to this Committee.

### Committee members

| Director | Attendance |
|---|---|
| Fiona MacAulay | 100% |
| Amanda Fisher | 100% |
| Steve Mogford | 100% |
| Tony Quinlan | 100% |

### Terms of reference

The Committee's terms of reference, which remain unchanged since 2023, are available on the Company's website at www.costain.com.

### Remuneration Committee activity

The following table sets out the key remuneration issues which the Committee covered over the course of the year.

| Date | Key agenda items |
|---|---|
| 13 February 2024 | Considered the extent to which the performance measures were likely to have been met with regard to the LTIP granted in 2021.<br>Considered the level of pay-out of the 2023 AIP.<br>Approved in principle the 2024 AIP performance measures and list of participants.<br>Approved in principle performance targets for the 2024 LTIP grant.<br>Reviewed and approved the executive directors' and senior executives' salary increases for 2024 against benchmarked data.<br>Noted the results of the 2023 employment engagement survey, which set out the workforce experience, including reward and compensation.<br>Reviewed the draft Directors' Remuneration Report in the 2023 annual report. |
| 5 March 2024 | Approved the vesting of the 2021 LTIP awards.<br>Approved the level of pay-out of 2023 AIP awards. |
| 9 April 2024 (by written circulation) | Approved the grant of awards under the 2024 LTIP and determined quantum, performance targets, participants and other terms.<br>Approved the grant of awards under the 2024 SDP in relation to the 2023 bonus pay-out.<br>Reviewed dilution headroom. |
| 10 December 2024 | Received a governance update and market trends paper from the Committee's advisers.<br>Reviewed annual salary increase for the wider workforce for 2025.<br>Reviewed potential CEO and CFO salary increases for 2025 for further consideration at the February 2025 meeting.<br>Consideration given to the extent to which the performance measures were likely to have been met with regard to the LTIP.<br>Reviewed and discussed the proposed performance targets for the 2025 LTIP and preliminary list of participants.<br>Approved the 2025 AIP structure and preliminary list of participants, with targets to be finalised at the next meeting.<br>Noted the summary results of the 2024 employment engagement survey, which set out the workforce experience, including reward and compensation. Noted improvements in some scores reflected targeted action during 2024.<br>Agreed no changes required to the Committee's terms of reference or its membership. |

### Committee effectiveness review

As described on page 71, the Board Effectiveness Review was externally facilitated. The review concluded that the Committee was led by an effective and experienced chair and that good progress had been made in aligning reward with the business strategy. It was supported well by the secretariat and Deloitte LLP (a member firm of Deloitte Touche Tohmatsu Limited), the external remuneration consultants.

### Advice provided to the Committee

Advice was sought, where appropriate, from a number of sources. During the course of the year, the chief executive officer, the chief financial officer, the Group's chair and the chief people and sustainability officer were invited to attend meetings of the Committee. No individual was present when their own remuneration was being discussed.

To help the Committee in ensuring that the Company's remuneration practices take due account of market and best practice, the Committee has access to experienced specialist independent consultants. As mentioned above, during the year, the Committee took advice, as appropriate, from Deloitte LLP.

It is the policy of the Committee to put the remuneration consultant function out to tender, or to review its services and fees, on a periodic basis to ensure that the Committee continues to receive independent support and advice of a high standard. Deloitte LLP was appointed in 2014 by the Committee following a competitive tender process to act as the Committee's remuneration consultants. Deloitte LLP received fees of £33,174 charged on a time and materials basis (2023: £33,120) for the year ended 31 December 2024 in respect of services provided to the Committee.

Deloitte LLP is a founder signatory to the Remuneration Consulting Group's Code of Conduct and is considered by the Committee to be objective and independent, having regard to the other services provided by Deloitte LLP to the Group. During the year, Deloitte LLP also provided advice to the Company in relation to the operation of the Company's share plans and employment tax.

### Voting on the Remuneration Report at the AGM in 2024

Last year's Remuneration Report was approved by shareholders with a 88.10% (2023 AGM: 99.75%) vote in favour (including discretionary votes, and with 57,555 votes withheld) and with 11.90% votes against.

### Voting on the remuneration policy at the AGM in 2023

The current policy was approved by shareholders with a 97.17% vote in favour (including discretionary votes, and with 111,182 votes withheld) and 2.83% votes against at the Company's AGM on 11 May 2023. It can be found in the 2022 annual report at www.costain.com/investors. A summary is provided on pages 100 to 103 of this report.

# Directors' Remuneration Report continued

## Single total figure of remuneration for each director

This table and associated notes have been audited by PwC LLP.

| 2024 | Fixed | | | | Variable | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees £ | Taxable benefits £ | Pension* £ | Subtotal £ | Annual incentive £ | LTIP# £ | Subtotal £ | Total £ |
| **Executive directors** | | | | | | | | |
| Alex Vaughan | **503,975** | **2,891** | **50,397** | **557,263** | **688,460** | **1,197,789** | **1,886,249** | **2,443,512** |
| Helen Willis | **418,560** | **11,720** | **41,856** | **472,136** | **571,781** | **994,715** | **1,566,496** | **2,038,632** |
| **Non-executive chair** | | | | | | | | |
| Kate Rock | **200,850** | **–** | **–** | **200,850** | **–** | **–** | **–** | **200,850** |
| **Non-executive directors** | | | | | | | | |
| Bishoy Azmy[1] | **12,900** | **–** | **–** | **12,900** | **–** | **–** | **–** | **12,900** |
| Amanda Fisher | **53,175** | **–** | **–** | **53,175** | **–** | **–** | **–** | **53,175** |
| Fiona MacAulay | **63,475** | **–** | **–** | **63,475** | **–** | **–** | **–** | **63,475** |
| Steve Mogford | **53,175** | **–** | **–** | **53,175** | **–** | **–** | **–** | **53,175** |
| Tony Quinlan | **72,200** | **–** | **–** | **72,200** | **–** | **–** | **–** | **72,200** |

| 2023 | Fixed | | | | Variable | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees £ | Taxable benefits £ | Pension** £ | Subtotal £ | Annual incentive £ | LTIP## £ | Subtotal £ | Total £ |
| **Executive directors** | | | | | | | | |
| Alex Vaughan | 463,225 | 2,842 | 46,322 | 512,389 | 547,089 | 420,043 | 967,432 | 1,479,821 |
| Helen Willis | 384,705 | 11,789 | 38,470 | 434,964 | 454,313 | 348,823 | 803,136 | 1,238,100 |
| **Non-executive chair** | | | | | | | | |
| Kate Rock | 195,000 | – | – | 195,000 | – | – | – | 195,000 |
| **Non-executive directors** | | | | | | | | |
| Bishoy Azmy[1] | 52,100 | – | – | 52,100 | – | – | – | 52,100 |
| Amanda Fisher[2] | 4,300 | – | – | 4,300 | – | – | – | 4,300 |
| Fiona MacAulay | 60,400 | – | – | 60,400 | – | – | – | 60,400 |
| Steve Mogford[3] | 8,600 | – | – | 8,600 | – | – | – | 8,600 |
| Tony Quinlan | 69,125 | – | – | 69,125 | – | – | – | 69,125 |

* A pension contribution of £11,145 and £5,000 was paid into the Company's Group Flexible Retirement Plan for Alex Vaughan and Helen Willis respectively and the balance was paid to them directly as a taxable cash sum.

** A pension contribution of £9,721 and £2,083 was paid into the Company's Group Flexible Retirement Plan for Alex Vaughan and Helen Willis respectively and the balance was paid to them directly as a taxable cash sum.

# 2022 LTIP award of 1,124,685 shares (Alex Vaughan) and 934,005 shares (Helen Willis) vested at 100%. Value calculated based on average share price over the three months ended 31 December 2024 being 104.9p per share. Amounts include £17,995 and £14,944 for Alex Vaughan and Helen Willis respectively representing dividends paid and accrued on their awards and which will be converted to shares on exercise. Of the total amount, amounts of £744,479 and £618,260 for Alex Vaughan and Helen Willis respectively are attributable to the appreciation of the share price between the date of grant (39.7p) and the average share price over the three months ended 31 December 2024 (104.9p).

## 2021 LTIP award of 710,655 shares (Alex Vaughan) and 590,163 shares (Helen Willis) vested at 74.5%. Value calculated based on share price on vesting on 9 April 2024 being 76.2p per share. In accordance with the applicable regulations, the value included in the 2023 Directors' Remuneration Report was based on the average share price over the three months ended 31 December 2023 being 56.1p per share. Of the total amount, amounts of £110,799 and £92,012 for Alex Vaughan and Helen Willis respectively are attributable to the appreciation of the share price between the date of grant (61p) and the date of vesting (76.2p).

1 Stepped down from the Board on 31 March 2024. The non-executive director basic annual fee was increased to £49,400 from 1 April 2022. Due to an administrative error, the increase was not paid to Bishoy Azmy and the previous fee of £48,000 continued to be paid. The correct fee was paid in March 2023 backdated to April 2022 and is therefore reflected in the 2023 remuneration.

2 Appointed to the Board on 1 December 2023.

3 Appointed to the Board on 1 November 2023.

## Additional notes to the single total figure of remuneration

### (a) Annual salaries for executive directors

The annual salaries with effect from 1 April 2024 were £515,700 for Alex Vaughan and £428,300 for Helen Willis.

### (b) Taxable benefits provided to executive directors

The main benefits available to the executive directors during 2024, and their approximate values, were a car benefit of £1,366 (2023: £1,366) for Alex Vaughan and car allowance of £10,500 (2023: £10,500) for Helen Willis, together with private medical insurance for Alex Vaughan of £1,525 (2023: £1,476) and Helen Willis of £1,220 (2023: £1,289). This package of benefits was unchanged from 2021, 2022 and 2023.

### (c) Determination of the 2024 annual incentive

The maximum Annual Incentive Plan (AIP) opportunity for the chief executive officer and the chief financial officer for the year ended 31 December 2024 remained unchanged from previous years at 150% of base salary, with one third of the earned AIP award to be deferred into shares for a further two years, subject only to continued service in normal circumstances, and two thirds of the earned AIP award paid in cash.

The performance measures established by the Committee for the 2024 AIP continued to align with the Company's strategy while not encouraging inappropriate business risks to be taken. These included inter alia a target maximum of £45.5m for adjusted operating profit.

The achievement of the performance measures has been reviewed, with appropriate input from the Audit and Risk Committee, following the end of the 2024 financial year. As shown in the table below, Alex Vaughan and Helen Willis both earned an AIP award equal to 89% of the maximum opportunity based on an assessment against the performance targets.

As discussed in the annual statement from the Remuneration Committee chair on pages 97 and 98 in line with good practice, these outcomes were reviewed in the context of the broader stakeholder experience.

The Committee considered that the level of AIP awards made to Alex Vaughan and Helen Willis were a fair reflection of the Group's underlying financial performance achieved in 2024. In addition to the strong financial performance, the Committee also noted the strong safety record, a healthy pipeline of and the significant improvement in the employee engagement survey results.

| | AIP opportunity – maximum percentage of bonus | AIP award – as a percentage of bonus | AIP opportunity – maximum percentage of bonus | AIP award – as a percentage of bonus | AIP performance measure | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Performance measures | Alex Vaughan | Alex Vaughan | Helen Willis | Helen Willis | Threshold (0%) | Target (60%) | Maximum (100%) | Actual performance | % Pay-out |
| Adjusted operating profit (with 90% cash conversion)[1,2] | **40%** | **33%** | **40%** | **33%** | **£37.3m** | **£41.4m** | **£45.5m** | **£43.1m** | **33%** |
| Profit secured for 2025 | **15%** | **15%** | **15%** | **15%** | **£63.8m** | **£70.9m** | **£78.0m** | **£78.5m** | **15%** |
| Cash flow[3] | **15%** | **11%** | **15%** | **11%** | **£47.8m** | **£164.2m** | **£180.6m** | **£169.8m** | **11%** |
| Safety, health and environment[4] | **10%** | **10%** | **10%** | **10%** | | **see below** | | | **10%** |
| Personal performance | **20%** | **20%** | **20%** | **20%** | **see personal performance on following page** | | | | **20%** |
| Total | **100%** | **89%** | **100%** | **89%** | | | | | **89%** |

1 See definition on page 148. Previously known as adjusted EBITA. Target underpinned by 90% cash conversion.

2 For the adjusted operating profit measure, there are intermediate vesting points with 80% and 90% vesting requiring adjusted operating profit of £42.5m and £44.1m respectively.

3 Measured as average month-end cash balances, pre-acquisition and investments.

4 Achieved Group High Potential Event rate of 0.16, Environmental Incident Frequency Rate of 0.11 and environment engagement and workforce engagement ratios at 80%.

# Directors' Remuneration Report continued

## Personal performance

Personal performance was based on progress towards delivery of the strategy and corporate activities critical to the strategic transformation of the business which were the personal responsibility of the executive directors. Details of Alex Vaughan's and Helen Willis' performance against their personal objectives are set out below.

### *Alex Vaughan*

| Objective | Achievement during the year | Maximum | Award |
|---|---|---|---|
| Performance | Production thinking and new standards developed and used consistently across the business driving predictable, safe, green, faster and more efficient delivery. See pages 8 to 11 for further details.<br>Good progress made securing new work, through effective partnering with customers. See pages 8 to 11 for further details. | 10% | 10% |
| People | Retained Best Companies 1 Star accreditation as a 'A Very Good Company to Work For' in 2024 engagement survey. See page 83 for further details.<br>Year-on-year increase of Best Companies index (BCI) score, with a 20 point increase over the prior year and increased response rate of 75%. See page 83 for further details.<br>Continued investment in learning and development in particular the launch of B and C leadership programme, further embedding leadership framework. See page 85 for further details.<br>Achieved Disability Confident Leader (level 3) and recognised as a Times Top 50 Employer for Gender Equality. See page 79 for further details.<br>Enhanced parental and carers leave policies and a second cohort of Empower programme. See page 84 for further details. | 5% | 5% |
| Planet | Confirmation of near-term and net-zero targets by the Science-Based Target Initiative. See page 41 for further details.<br>Reduced absolute emissions by 1%, (9% from 2021 baseline when normalised by turnover). See page 43 for further details.<br>Achieved re-certification from BSI to PAS 2080:2023 driving a consistent approach to effective carbon management across the business. See page 36 for further details. | 5% | 5% |
| | | 20% | 20% |

### *Helen Willis*

| Objective | Achievement during the year | Maximum | Award |
|---|---|---|---|
| Performance | Identified and adopted new technologies and digital solutions to drive value for customers through increased productivity, reduced costs, improving data; safety and reducing impact on the environment. See page 23 for further details.<br>The Transformation programme to simplify and increase efficiencies largely completed in 2024 achieving and exceeding original financial and non-financial targets, strengthening the organisation and supporting continual growth. See page 49 for further details.<br>Good progress made securing new work, through effective partnering with customers. See pages 8 to 11 for further details.. | 10% | 10% |
| People | Successfully launched new HR system to improve employee experience, enhance cybersecurity, and enable greater digital integration. See page 81 for further details. | 5% | 5% |
| Planet | Confirmation of near-term and net-zero targets by the Science-Based Target Initiative. See page 41 for further details.<br>Reduced absolute emissions by 1%, (9% from 2021 baseline when normalised by turnover). See page 43 for further details.<br>Developed environmental construction data tracker, the first phase of which focuses on carbon, enabling carbon emissions on projects and from supply chain to be captured 'as built' to further improve carbon management and accuracy and transparency of carbon. See page 36 for further details.<br>Continued to enhance and improve climate related disclosures. See pages 36 to 43 for further details. | 5% | 5% |
| | | 20% | 20% |



## (d) Vesting of the April 2022 LTIP award

The LTIP awards granted on 6 April 2022 to Alex Vaughan and Helen Willis were based on aggregate adjusted EPS and cash conversion performance for the three years ended 31 December 2024.

Performance against the measures and the resulting vesting outcome is shown below. Aggregate adjusted EPS for the three financial years (relating to two thirds of the award), calculated on an adjusted basis approved by the Committee, was 34.7 pence as a result of which this element of the LTIP awards is due to vest at 100%. Cash conversion performance targets (relating to one third of the award) were achieved to the full extent and so 100% of this element of the award is due to vest. Therefore, the 2022 LTIP is due to vest over a total of 100%.

The award vests in April 2025 but is subject to a further holding period of two years following the end of the performance period, thereby ensuring long-term alignment of the executive directors' and shareholders' interests.

### (A) Adjusted EPS performance measure (relating to two thirds of the award)

| Aggregate adjusted EPS for the financial years ended 31 December 2022, 2023 and 2024 | Vesting level for awards |
|---|---|
| Below 27.5 pence | 0% |
| 27.5 pence | 15% |
| Between 27.5 pence and 33.7 pence | 15–100% pro-rata |
| 33.7 pence or more | 100% |
| Actual performance: 34.7 pence | Vesting outcome: 100% |

For the purposes of the LTIP, adjusted EPS is further adjusted by the Committee to exclude pension interest to ensure that the performance measures are assessed on a consistent basis year-to-year. For definition see page 99.

### (B) Cash conversion performance measure (relating to one third of the award)

| Average cash conversion for the financial years ended 31 December 2022, 2023 and 2024 | Vesting level for awards |
|---|---|
| Below 80% | 0% |
| 80% | 15% |
| Between 80% and 100% | 15–100% pro-rata |
| 100% or more | 100% |
| Actual performance: 137% | Vesting outcome: 100% |

## (e) Pensions and life assurance

Alex Vaughan's and Helen Willis' pension provision is equal to 10% of salary and life assurance cover of four times' base salary is provided through the Costain Life Assurance Scheme, both in line with the wider workforce.

The Group offers a Group Flexible Retirement Plan which was set up in 2009 with Standard Life for employees and senior management. This was switched to Scottish Widows with effect from 1 May 2022. Alex Vaughan was a participant of this Scheme until 31 May 2022 and then rejoined (capped) from May 2023. Helen Willis has been a participant (also capped) since August 2023.

## (f) Chair

Kate Rock was appointed to the Board as a non-executive director on 1 November 2022. With effect from her appointment as chair on 1 December 2022, the basic annual fee for Kate Rock was £195,000. This fee was reviewed during 2024 and was increased to £202,800 with effect from 1 April 2024.

## (g) Non-executive directors

Remuneration for non-executive directors, other than the chair, comprises a basic annual fee for acting as a non-executive director of the Company and additional fees for the senior independent director and chair of the Audit and Risk and Remuneration Committees. The annual fees set with effect from 1 April 2024 were as follows:

| 2024 Fees | Basic Fee | Senior independent director | Audit and Risk Committee chair | Remuneration Committee chair |
|---|---|---|---|---|
| Fees | **£53,700** | **£8,800** | **£10,400** | **£10,400** |

# Directors' Remuneration Report continued

## Grants made during the year

These tables and the associated footnotes have been audited by PwC LLP.

### 2024 LTIP grant

Grants were made under the LTIP on 9 April 2024 to Alex Vaughan, Helen Willis and other members of the senior leadership team. The grant level for the executive directors remained at 100% of salary.

The award vests after three years, subject to continued service and the achievement of performance measures (as set out below) but cannot be exercised until after five years, thereby ensuring long-term alignment of the executive directors' and shareholders' interests.

Performance measures for the 2024 LTIP are as follows:

#### Adjusted EPS performance measure (50% of the award)

| Aggregate adjusted EPS over the financial years ending 31 December 2024, 2025 and 2026 | Vesting level for awards |
|---|---|
| Below 32.2 pence | 0% |
| 32.2 pence | 25% |
| Between 32.2 pence and 39.4 pence | 25–100% pro-rata |
| 39.4 pence or more | 100% |

The Committee believes that adjusted EPS remains an appropriate metric to use under the LTIP, as growth in adjusted EPS is one of the key drivers of the Company's share price. As with previous LTIP awards, adjusted EPS shall be further adjusted by the Committee to exclude pension interest to ensure that the performance measures are assessed on a consistent basis year-to-year. For definition see page 99.

#### TSR performance measure (25% of the award)

| TSR growth over the financial years ending 31 December 2024, 2025 and 2026 | Vesting level for awards |
|---|---|
| Less than 50% | 0% |
| 50% | 25% |
| More than 50% but less than 100% | 25–100% pro-rata |
| 100% or more | 100% |

The Committee believes that the use of a TSR element in the LTIP provides a clear alignment of executive directors' interests with value created for shareholders and reflects the importance of execution of the business' strategy translating to increases in our share price.

For these purposes TSR will be based on a one-month average prior to the start of the performance period and at the end of the performance period.

#### ESG performance measures (25% of the award)

| Environmental: Reduction in Scope 1 and 2 carbon emissions compared to 2021 baseline (15% weighting) | Vesting level for awards |
|---|---|
| Below 16.2% | 0% |
| 16.2% | 25% |
| Between 16.2% and 19.8% | 25–100% pro-rata |
| 19.8% or more | 100% |

#### Social: Equality, diversity and inclusion (EDI)

| Improvement in wider leadership[1] population gender diversity (5% weighting) | Vesting level for awards |
|---|---|
| Below 22% | 0% |
| 22% | 25% |
| Between 22% and 28% | 25–100% pro-rata |
| 28% or more | 100% |

| Improvement in wider leadership[1] population ethnic diversity (5% weighting) | Vesting level for awards |
|---|---|
| Below 9% | 0% |
| 9% | 25% |
| Between 9% and 13% | 25–100% pro-rata |
| 13% or more | 100% |

1 Wider leadership population is defined as Executive Board and employee bands A-C.

The Committee has the discretionary power to vary these targets should circumstances change such that the original targets are no longer considered appropriate (e.g. in the case of a material acquisition or divestment in the Group or other material transaction).

A clawback and malus provision is incorporated in the AIP and the LTIP with regard to any material misstatement to audited accounts, an error in calculation of targets resulting in an overpayment, gross misconduct or criminal behaviour on the part of a participant, reputational damage or serious corporate failure.

The Committee also has the ability to exercise discretion to make adjustments to the formulaic vesting outcome if it is not considered to be appropriate taking into account business performance during the performance period. This includes consideration of any windfall gains at the point of vesting. In assessing whether there is any windfall gain, the Committee will take into account a number of factors, including share price performance over the vesting period, financial performance of the business and any other significant events which have impacted the Company's share price or the market as a whole.

The share awards granted under the 2024 LTIP, structured as options with a nil exercise price, are as follows:

| | Type of Award | Number of shares | Face value[1] | End of performance period | Threshold vesting |
|---|---|---|---|---|---|
| Alex Vaughan | **Nil cost option** | **666,279** | **£515,700** | **31 December 2026** | **25%** |
| Helen Willis | **Nil cost option** | **553,359** | **£428,300** | **31 December 2026** | **25%** |

1 Valued using the mid-market closing share price on the three business days prior to the date of grant (4, 5 and 8 April 2024), being 77.4 pence.

Both Alex Vaughan and Helen Willis also received a tax qualifying market value option as part of a 'Qualifying LTIP' which is subject to the same performance conditions as the 'ordinary LTIP' award. Each tax qualifying option is over 77,519 shares and has an exercise price of 77.4 pence per share. These tax qualifying options are linked to the nil cost option such that, at the time of exercise, to the extent that there is a gain in the tax qualifying option, the nil cost option will be forfeited to the value of that gain.

### 2024 SDP grant

The Company granted awards under the SDP to the executive directors on 9 April 2024, details of which are shown on page 119.

### All-employee share plan

During 2024, the Company invited employees to participate in the Save As You Earn (SAYE) Scheme, which is open to all employees on the same basis. SAYE Scheme awards were granted to the executive directors during 2024 as set out on page 119.

# Directors' Remuneration Report continued

## Exit payments made during the year and payments made to past directors

This section has been audited by PwC LLP.

No executive directors departed in 2024 and no payments have been made to past directors.

## Implementation of policy in the year to 31 December 2025

### Salary

As set out in the chair's statement and explained to shareholders in last year's Directors' Remuneration Report, the chief executive officer will receive a salary increase of 4% with effect from 2025. The chief financial officer will receive a salary increase in 2025 of 3.5% in line with the average salary increase for the wider workforce.

| | Salary 2025 | Salary 2024 | % change |
|---|---|---|---|
| Alex Vaughan | **£536,328** | £515,700 | 4% |
| Helen Willis | **£443,291** | £428,300 | 3.5% |

### Chair's fee

The chair's basic annual fee will be increased in 2025 by 3.5% to £209,898 per annum in line with the average salary increase for the wider workforce.

### Non-executive director fees

Non-executive directors' basic fees will be increased by 3.5% in line with the average salary increase for the wider workforce, including fees for the senior independent director, Audit and Risk Committee chair and Remuneration Committee chair, with effect from 1 April 2025, as shown in the table below.

| 2025 Fees | Basic Fee | Senior independent director | Audit and Risk Committee chair | Remuneration Committee chair |
|---|---|---|---|---|
| Fees | **£55,580** | **£9,108** | **£10,764** | **£10,764** |

### 2025 Annual Incentive

Executive directors and the wider senior leadership team are eligible for annual bonuses under the AIP to encourage improved performance, with targets established by the Committee to align rewards with the Company strategy. The targets are clearly aligned with the delivery of our strategy. Their achievement will be reviewed, with appropriate input from the Audit and Risk Committee, at the end of the year.

The maximum AIP opportunity for the chief executive officer and the chief financial officer for the year ending 31 December 2025 will remain unchanged from previous years at 150% of base salary, with one third of earned AIP deferred into shares for a further two years, to be awarded under the SDP, and two thirds of earned AIP paid in cash.

The performance measures for the 2025 AIP are as detailed below:

| | 2025 AIP opportunity – maximum percentage of bonus | |
|---|---|---|
| Performance measures | Chief executive officer | Chief financial officer |
| Adjusted operating profit (with 90% cash conversion) | **40%** | **40%** |
| Profit secured for 2026 | **15%** | **15%** |
| Cash flow | **15%** | **15%** |
| Safety, health and environment | **10%** | **10%** |
| Personal performance | **20%** | **20%** |
| **Total** | **100%** | **100%** |

The Committee has chosen not to disclose in advance the details of the performance targets for the year ending 31 December 2025, as these include items which the Committee considers commercially sensitive. The Committee will continue to provide retrospective disclosure of such performance targets in next year's annual report on Remuneration to the extent the Committee determines these targets are not commercially sensitive.

### 2025 LTIP grant

The grant level for the executive directors will be up to 100% of salary. It is expected the LTIP awards will be granted in April 2025. The LTIP will be subject to the achievement of performance measures unchanged from 2024 as set out below. LTIP shares which vest after three years will be subject to a further holding period of two years following the end of the performance period, thereby ensuring long-term alignment of the executive directors' and shareholders' interests.

The proposed targets are set out below.

### Adjusted EPS performance measure (50% of the award)

| Aggregate adjusted EPS over the financial years ending 31 December 2025, 2026 and 2027 | Vesting level for awards |
|---|---|
| Below 38.8 pence | 0% |
| 38.8 pence | 25% |
| Between 38.8 pence and 45.9 pence | 25–100% pro-rata |
| 45.9 pence or more | 100% |

The Committee believes that adjusted EPS remains an appropriate metric to use under the LTIP, as growth in adjusted EPS is one of the key drivers of the Company's share price. As with previous LTIP awards, adjusted EPS shall be further adjusted by the Committee to exclude pension interest to ensure that the performance measures are assessed on a consistent basis year-to-year (see page 148 for definition). When setting the EPS targets, the Committee considered a range of factors including internal and external forecasts, market conditions and the impact of other relevant factors including bank interest and tax rates. The Committee considers the proposed targets to be appropriately stretching.

### TSR performance measure (25% of the award)

| TSR growth over the financial years ending 31 December 2025, 2026 and 2027 | Vesting level for awards |
|---|---|
| Less than 50% | 0% |
| 50% | 25% |
| More than 50% but less than 100% | 25–100% pro-rata |
| 100% or more | 100% |

The Committee believes that the use of a TSR element in the LTIP provides a clear alignment of executive directors' interests with value created for shareholders and reflects the importance of execution of the business' strategy translating to increases in our share price.

For these purposes TSR will be based on a one-month average prior to the start of the performance period and at the end of the performance period.

### ESG performance measures (25% of the award)

| Environmental: Reduction in water pollution environmental incident rate compared to 2024 baseline (15% weighting) | Vesting level for awards |
|---|---|
| Below 40% | 0% |
| 40% | 25% |
| Between 40% and 50% | 25–100% pro-rata |
| 50% or more | 100% |

### Social: Equality, diversity and inclusion (EDI)

| Improvement in wider leadership[1] gender diversity (5% weighting) | Vesting level for awards |
|---|---|
| Below 27% | 0% |
| 27% | 25% |
| Between 27% and 33% | 25–100% pro-rata |
| 33% or more | 100% |

| Improvement in wider leadership[1] ethnic diversity (5% weighting) | Vesting level for awards |
|---|---|
| Below 16% | 0% |
| 16% | 25% |
| Between 16% and 20% | 25–100% pro-rata |
| 20% or more | 100% |

1 Employee bands D-F, which is a wider population of senior management below the Executive Board and senior management level than for the 2024 LTIP grant. See page 78 for further details about our equality, diversity and inclusion programmes.

# Directors' Remuneration Report continued

The Committee has the discretionary power to vary these targets should circumstances change such that the original targets are no longer considered appropriate (e.g. in the case of a material acquisition or divestment in the Group or other material transaction).

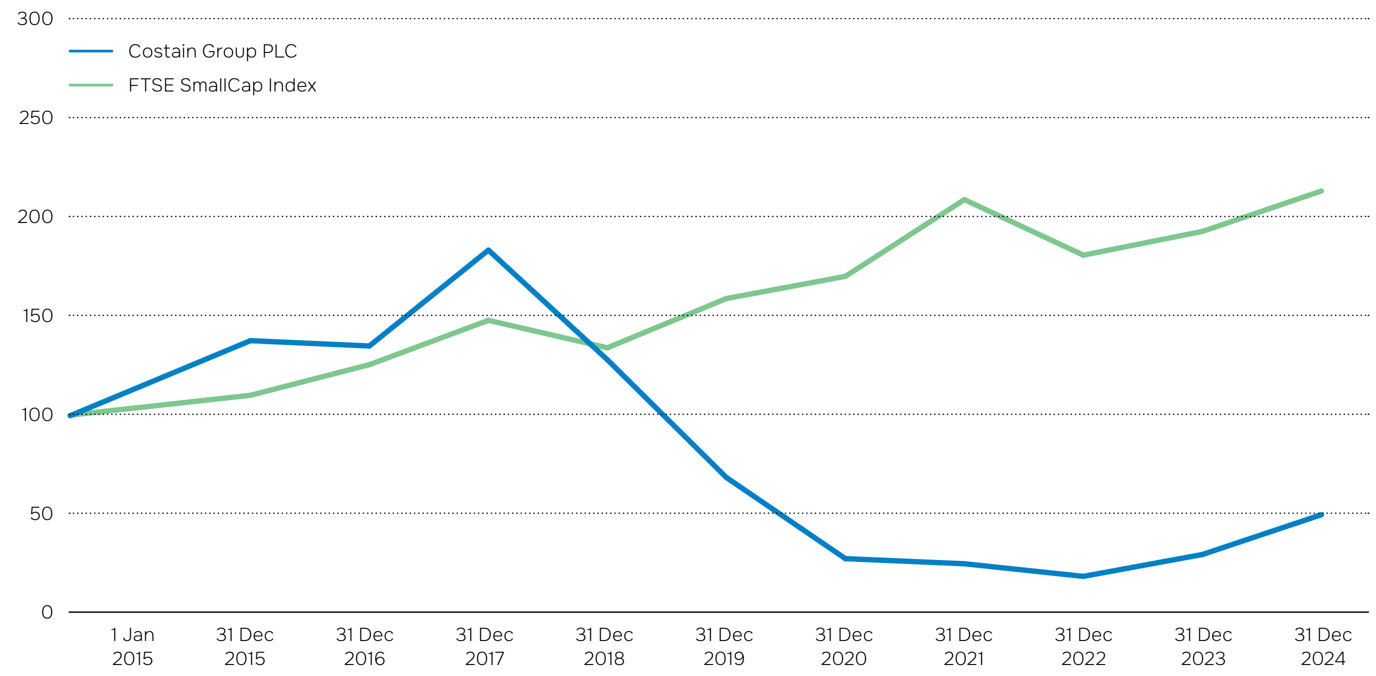
A clawback and malus provision is incorporated in the AIP and the LTIP with regard to any material misstatement to audited accounts, an error in calculation of targets resulting in an overpayment, gross misconduct or criminal behaviour on the part of a participant, reputational damage or serious corporate failure.

The Committee also has the ability to exercise discretion to make adjustments to the formulaic payout/vesting of variable incentives if the formulaic outcome is not considered to be appropriate.

## Other information

### Performance graph

The graph below shows the value, to 31 December 2024, of £100 invested in Costain Group PLC on 1 January 2015 compared with the value of £100 invested in the FTSE SmallCap Index. The Committee believes that the FTSE SmallCap Index is the most appropriate index to use as it is the index in which the Company is a constituent and comprises companies of a similar size to Costain.




## Change in chief executive officer's remuneration

| | 2015 | 2016 | 2017 | 2018 | 2019[1] | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Chief executive officer | AW | AW | AW | AW | AW/AV | AV | AV | AV | AV | **AV** |
| Total remuneration | £1,414,381 | £1,089,943 | £1,707,094 | £1,560,601 | £524,169 | £447,710 | £980,793 | £1,146,715 | £1,358,611 | **£2,443,512** |
| AIP (%) | 79.5% | 75.4% | 81% | 62.5% | Nil | Nil | 73% | 72% | 77.8% | **89%** |
| LTIP vesting (%) | 50% | Nil% | 79.1% | 100 | Nil | Nil | 25% | 81.1% | 74.5% | **98%** |

1 Andrew Wylie (AW) stepped down from the Board on 7 May 2019 and Alex Vaughan (AV) was appointed to the Board on 7 May 2019. Total remuneration in 2019 for Andrew Wylie was £211,927 and for Alex Vaughan was £312,242.



## CEO pay ratio

The table below shows, for 2019 to 2024, the ratio of the pay of the CEO to that of the best full-time equivalent lower quartile, median and upper quartile employee within the Group.

| Year | Methodology used | 25th Percentile Pay Ratio | 50th Percentile Pay Ratio | 75th Percentile Pay Ratio |
|---|---|---|---|---|
| **2024** | **Option B** | **48:1** | **34:1** | **26:1** |
| 2023 | Option B | 35:1 | 19:1 | 15:1 |
| 2022 | Option B | 23:1 | 19:1 | 14:1 |
| 2021 | Option B | 22:1 | 17:1 | 13:1 |
| 2020 | Option B | 13:1 | 8:1 | 6:1 |
| 2019* | Option B | 17:1 | 10:1 | 7:1 |

* The Single Total Figure of Remuneration for the CEO has been calculated as the total remuneration paid to Andrew Wylie for the period 1 January 2019 to 7 May 2019 plus the total remuneration paid to Alex Vaughan for the period 8 May 2019 to 31 December 2019.

We have chosen to use Option B of the available methodologies to calculate the ratio. This methodology is based on the data collected as part of the latest gender pay reporting and the calculations were performed as at the final day of the relevant financial year. Option B was selected on the basis that it is an efficient and robust approach, recognising that the data required to calculate the ratio comes from multiple sources. Analysis has been performed to ensure that the lower quartile, median and upper quartile employees are reasonably representative.

The table below shows the UK employee percentile pay and benefits used to determine the above pay ratios and the salary component for each figure.

| | CEO | 25th percentile | Median | 75th percentile |
|---|---|---|---|---|
| **2024** | | | | |
| Total pay and benefits | **£2,443,512** | **£50,985** | **£72,437** | **£92,281** |
| Salary component | **£503,975** | **£46,350** | **£60,320** | **£77,171** |
| **2023** | | | | |
| Total pay and benefits | £1,358,611 | £39,058 | £72,612 | £88,740 |
| Salary component | £463,225 | £37,046 | £65,073 | £78,746 |
| **2022** | | | | |
| Total pay and benefits | £1,146,715 | £50,792 | £61,412 | £82,181 |
| Salary component | £443,250 | £39,282 | £56,237 | £68,483 |
| **2021** | | | | |
| Total pay and benefits | £980,793 | £45,166 | £56,596 | £77,235 |
| Salary component | £431,375 | £39,470 | £46,476 | £57,330 |
| **2020** | | | | |
| Total pay and benefits | £447,710 | £34,016 | £57,580 | £73,844 |
| Salary component | £393,125 | £32,948 | £45,934 | £61,669 |
| **2019** | | | | |
| Total pay and benefits | £524,169 | £30,923 | £50,903 | £75,304 |
| Salary component | £445,319 | £29,837 | £45,170 | £60,137 |

The UK employee percentile pay and benefits has been calculated based on the amount paid or receivable for the relevant financial year. The calculations are on the same basis as required for the CEO's remuneration for single total figure purposes.

A high proportion of the CEO's total reward is performance-related and delivered in shares. The ratios will therefore depend significantly on the CEO's variable pay outcomes and may fluctuate year-to-year. The difference in ratios from 2023 to 2024 reflects the CEO's pay increase for 2024, which was significantly above the workforce average, following a review of his salary to better position his pay in line with market conditions, and to reflect individual performance, experience and responsibilities, the AIP and LTIP outcomes based on strong Company performance and the growth in the share price since 2022. In both 2019 and 2020, no bonus was paid to the CEO. In addition, in 2020 the CEO pay was lower due to the reduction in salaries from April to June 2020 as part of the actions taken by the Group to mitigate the financial impacts of COVID-19 and protect the Group's cash position.

The Board believes that the median pay ratio is consistent with the Group's wider policies on pay, reward and progression.

# Directors' Remuneration Report continued

## Annual percentage change in remuneration of directors compared to all employees

The table below shows the annual percentage change in each director's remuneration compared to the average employee remuneration. Further information in relation to the 2023-24 changes is set out below the table. Information relating to the changes between previous years is included in the relevant Directors' Remuneration Reports.

| | | Executive directors | | Non-executive chair | Non-executive directors | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average employee[1] | Alex Vaughan | Helen Willis | Kate Rock | Bishoy Azmy[2] | Amanda Fisher[3] | Fiona MacAulay | Tony Quinlan | Steve Mogford[4] |
| **Salary/fees** | | | | | | | | | |
| **2023–2024** | **5.6[5]** | **8.8** | **8.8** | **3** | **n/a** | **n/a** | **5** | **4** | **n/a** |
| 2022–2023 | 6.6[5] | 4.5 | 4.5 | n/a | 8.5[6] | n/a | n/a | 5.2[7] | n/a |
| 2021–2022 | 3.6[5] | 3 | 2 | n/a | 0.5 | n/a | n/a | n/a | n/a |
| 2020–2021 | 5[5] | 10 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 2019–2020 | (0.8)[5,10] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **Taxable benefits** | | | | | | | | | |
| **2023–2024** | **(23)[8]** | **1.7** | **0.6** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** |
| 2022–2023 | 0.0[8] | 4.7 | 3.1 | – | – | – | – | – | n/a |
| 2021–2022 | 0.2[8] | (80) | 1 | n/a | – | – | n/a | n/a | n/a |
| 2020–2021 | (6)[8] | (16) | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 2019–2020 | 6.2[8] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| **Annual bonus** | | | | | | | | | |
| **2023–2024** | **12[9]** | **25.8** | **25.8** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** |
| 2022–2023 | 55.8[9] | 13.5 | 13.4 | – | – | – | – | – | n/a |
| 2021–2022 | (7)[9] | 2 | 2 | n/a | – | – | n/a | n/a | n/a |
| 2020–2021 | 236[9] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| 2019–2020 | (18)[9] | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

1 The percentage change in each element of employee remuneration is based on all monthly paid UK employees across the Group. This population has been selected as no employees are directly employed by the listed parent entity.

2 Bishoy Azmy was appointed to the Board on 19 June 2020 and stepped down on 31 March 2024 and therefore annual change in remuneration between 2019 and 2020, between 2020 and 2021 and between 2023 and 2024 is not applicable.

3 Amanda Fisher was appointed to the Board on 1 December 2023 and therefore annual change in remuneration is not applicable for the financial years shown.

4 Steve Mogford was appointed to the Board on 1 November 2023 and therefore annual change in remuneration is not applicable for the financial years shown.

5 Average salary for employees is calculated based on the annual monthly UK salary bill divided by the average number of monthly paid UK employees.

6 The non-executive director basic annual fee was increased to £49,400 from 1 April 2022. Due to an administrative error, the increase was not paid to Bishoy Azmy and the previous fee of £48,000 continued to be paid. The correct fee was paid in March 2023 backdated to April 2022 and is therefore reflected in the 2023 remuneration.

7 Tony Quinlan received the following fee increases with effect from 1 April 2023: non-executive director's basic (4.5%), senior independent director (23.2%) and Audit and Risk Committee chair (1%).

8 Employee benefits are calculated based on the total cost to the Company of private medical insurance, company cars and car allowances, averaged per head for monthly paid employees.

9 Bonus figures are calculated on the total bonus payments made to monthly employees divided by the average number of monthly paid employees.

10 The wider workforce (those earning over £45,000) agreed to 10% to 30% reduction in salaries for the period April to June 2020 in response to COVID-19. There was therefore a reduction in salaries received by some employees during 2020 compared to 2019 which impacted the average employee figure.

## Relative importance of spend on pay

The table below illustrates the change in expenditure by the Company on remuneration paid to all the employees of the Group and distributions to shareholders from the financial year ended 31 December 2023 to the financial year ended 31 December 2024.

| | 2024 £m | 2023 £m | % change |
|---|---|---|---|
| Overall expenditure on pay | **233.3** | 235.9 | (2.35%) |
| Dividends and share buybacks[1] | **13.3** | 1.1 | 1,109% |

1 There was no share buyback in 2023.

These matters were selected to be shown as they represent key distributions by the Group to its stakeholders.

## Directors' appointments

The executive directors have service contracts that can be terminated by either party on the giving of 12 months' notice.

The non-executive directors have letters of appointment. The independent non-executive directors are appointed for initial three-year terms which thereafter may be extended. The appointment of a non-executive director can be terminated by not less than one month's notice on either side, with three months for the chair. Each non-executive director is subject to re-election at the AGM each year.

The dates of each director's original appointment and expiry of current term are as follows:

| Director | Date of original appointment | Effective date of latest appointment letter | Expiry of current term[1,2] |
|---|---|---|---|
| Alex Vaughan | 7 May 2019 | 7 May 2019 | Terminable on 12 months' notice |
| Helen Willis | 30 November 2020 | 30 November 2020 | Terminable on 12 months' notice |
| Kate Rock | 1 November 2022 | 1 November 2022 | 1 November 2025 |
| Amanda Fisher | 1 December 2023 | 1 December 2023 | 1 December 2026 |
| Fiona MacAulay | 6 April 2022 | 6 April 2022 | 6 April 2025 |
| Steve Mogford | 1 November 2023 | 1 November 2023 | 1 November 2026 |
| Tony Quinlan | 1 February 2021 | 1 February 2024 | 1 February 2027 |

1 The appointment of a non-executive director may be terminated by reasonable notice on either side (of not less than one month, with three months for the chair).

2 In accordance with the 2018 and 2024 UK Corporate Governance Codes, all the directors are required to seek election or re-election.

## External directorships

Neither of the executive directors held external directorships in the year.

## Directors' Remuneration Report continued

The following tables and the associated footnotes have been audited by PwC LLP.

### Share awards under the Long-Term Incentive Plan (LTIP)

Details of the executive directors' participation in the LTIP are as follows:

| Director | Date granted | Balance at 1 January 2024[a] | Granted during year | Share price at date of grant | Vested during year | Lapsed during year | Market price at date of exercise | Average market price[b] | Value of shares at date of sale/retention of balance[c] | Balance at 31 December 2024 | Actual/expected vesting/release date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Alex Vaughan | 07.05.19[1] | 34,735 | – | 325p | – | – | – | – | – | 34,735 | May 2024 |
| | 07.10.20[1] | 449,220 | – | 42.2p | – | – | – | – | – | 449,220 | April 2025 |
| | 08.04.21[1] | 710,655 | – | 61.0p | 529,438 | 181,217 | – | – | – | 529,438 | April 2026 |
| | 06.04.22[2] | 1,124,685 | – | 39.7p | – | – | – | – | – | 1,124,685 | April 2027 |
| | 06.04.23[1] | 849,275 | – | 55.2p | – | – | – | – | – | 849,275 | April 2028 |
| | 09.04.24[3] | – | 743,798 | 77.4p | – | – | – | – | – | 743,798 | April 2029 |
| Helen Willis | 30.11.20[1] | 209,809 | – | 53.7p | – | – | – | – | – | 209,809 | April 2025 |
| | 08.04.21[1] | 590,163 | – | 61.0p | 439,671 | 150,492 | – | – | – | 439,671 | April 2026 |
| | 06.04.22[2] | 934,005 | – | 39.7p | – | – | – | – | – | 934,005 | April 2027 |
| | 06.04.23[1] | 705,253 | – | 55.2p | – | – | – | – | – | 705,253 | April 2028 |
| | 09.04.24[3] | – | 630,878 | 77.4p | – | – | – | – | – | 630,878 | April 2029 |

a Subject to note 3 below, awards under the LTIP are structured as options with a nil exercise price. 2019 awards adjusted for the capital raising using the adjustment factor of 1.0625.

b At date of sale/retention of balance.

c Excluding shares deducted to settle tax sold at market price on date of exercise.

1 Details of the performance conditions, as applicable, for these awards and performance against these conditions are set out in the relevant Directors' Remuneration Reports for prior years.

2 Details of the performance conditions for the 2022 LTIP and perforance against these conditions are on page 109.

3 Details of the performance conditions for the 2024 LTIP are on pages 110 to 111. Of the total number of shares awarded under the 2024 LTIP both Alex Vaughan and Helen Willis received 77,519 shares as a tax qualifying market value option as part of a 'Qualifying LTIP' with an option price of 77.4 pence. These shares are subject to the same performance conditions as the 'ordinary LTIP' award. These tax qualifying options are linked to the nil cost option such that, at the time of exercise, to the extent that there is a gain in the tax qualifying option, the nil cost option will be forfeited to the value of that gain.

At 31 December 2024, the derived mid-market price of the ordinary shares in the company, as advised by the company's brokers was 106 pence. The range of the closing share price of an ordinary share during 2024 was 61 pence to 111 pence.

### Share awards under the Share Deferral Plan (SDP)

Details of the executive directors' participation in the SDP are as follows:

| Director | Date granted | Balance at 1 January 2024 | Granted during year[1] | Share price at date of grant | Vested during year | Lapsed during year | Market price at date of exercise | Average market price[2] | Value of shares at date of sale/retention of balance[3] | Balance at 31 December 2024[1] | Actual/expected vesting date |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Alex Vaughan | 06.04.22 | 597,836 | – | 39.7p | 597,836 | – | 77.8p | 77.8p | £247,792 | – | April 2024 |
| | 06.04.23 | 291,195 | – | 55.2p | – | – | – | – | – | 291,195 | April 2025 |
| | 09.04.24 | – | 235,611 | 77.4p | – | – | – | – | – | 235,611 | April 2026 |
| Helen Willis | 06.04.22 | 496,473 | – | 39.7p | 496,473 | – | 107.0p | 107.0p | £283,012 | – | April 2024 |
| | 06.04.23 | 241,826 | – | 55.2p | – | – | – | – | – | 241,826 | April 2025 |
| | 09.04.24 | – | 195,656 | 77.4p | – | – | – | – | – | 195,656 | April 2026 |

1 Awards under the SDP are structured as options with a nil exercise price.

2 At date of sale/retention of balance.

3 Excluding shares deducted to settle tax sold at market price on date of exercise.

### Share options under the SAYE Scheme (Sharesave)

Details of the executive directors' SAYE Scheme options are as follows:

| Director | Date granted | Balance at 1 January 2024 | Granted during year | Exercise price[1] | Exercised during year | Lapsed during year | Market price at date of exercise | Market price at date of retention | Value of shares at date of retention | Balance at 31 December 2024 | Exercised/exercisable from/to |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Alex Vaughan | 19.10.23 | 6,974 | – | 50.0p | – | – | – | – | – | 6,974 | Dec 2026 |
| | | | | | | | | | | | Jun 2027 |
| | 11.10.24 | – | 4,568 | 81.2p | – | – | – | – | – | 4,568 | Dec 2027 |
| | | | | | | | | | | | Jun 2028 |
| Helen Willis | 19.10.23 | 6,974 | – | 50.0p | – | – | – | – | – | 6,974 | Dec 2026 |
| | | | | | | | | | | | Jun 2027 |
| | 11.10.24 | – | 4,568 | 81.2p | – | – | – | – | – | 4,568 | Dec 2027 |
| | | | | | | | | | | | Jun 2028 |

1 The exercise price is determined as 80% of the average of the closing mid-market share price on the three business days prior to the invitation to employees to participate in the SAYE Scheme, subject to not being lower than the nominal value of a share.

No executive director exercised an SAYE Scheme share option in 2024 and therefore there was no gain on exercise. The Company granted no options under the SAYE Scheme in 2020, 2021 or 2022.

## Directors' Remuneration Report continued

### Directors' shareholdings

The executive directors are expected to build and maintain a shareholding of not less than 200% of base annual salary through the retention of vested share awards or through open market purchases. With effect from approval of the new remuneration policy in 2023, non-executive directors are not expected to build and maintain a shareholding. Details of the directors' share interests in the Company as at 31 December 2024, and at the date of this report, are as set out below.

| Director | Beneficially owned[1] | Outstanding SDP awards[2] | Outstanding Vested LTIP awards[3] | Outstanding SAYE Scheme awards[4] | Shareholding guidelines (% of salary/ fee) | Actual shareholding as at 31.12.24 (% of salary/ fee)[5, 6] | Actual shareholding as at 10.03.25 (% of salary/ fee)[5, 6] |
|---|---|---|---|---|---|---|---|
| Alex Vaughan | 570,737 | 526,806 | 1,013,393 | 11,542 | 200% | 285% | 285% |
| Helen Willis | 132,248 | 437,482 | 649,480 | 11,542 | 200% | 175% | 175% |
| Kate Rock | 100,000 | – | – | – | n/a | n/a | n/a |
| Amanda Fisher | – | – | – | – | n/a | n/a | n/a |
| Fiona MacAulay | – | – | – | – | n/a | n/a | n/a |
| Steve Mogford | – | – | – | – | n/a | n/a | n/a |
| Tony Quinlan | 25,000 | – | – | – | n/a | n/a | n/a |

1 Including shares held by persons closely associated.
2 Unexercised SDP awards.
3 Vested but unexercised LTIP awards.
4 Not included in the total actual shareholding as shares not yet vested.
5 Calculated by reference to the closing mid-market share price of 106p on 31 December 2024.
6 In calculating the number of shares which count for the determination of the extent to which directors meet the shareholding guidelines, additional shares in respect of the dividend payable on vested but unexercised LTIP awards have been included and a reduction made in respect of anticipated tax and national insurance, which would be payable on exercise of both SDP and LTIP awards.

By Order of the Board

**Fiona MacAulay**
Committee Chair

10 March 2025



## Directors' Report

# The directors of the Company present their report together with the audited consolidated accounts for the year ended 31 December 2024.

The Governance Report on pages 58 to 93 and the Strategic Report on pages 8 to 57 (and in particular pages 32 to 45 and 74 to 85, with regard to information about employee involvement, diversity, cyber security, greenhouse gas emissions and measures in relation to increasing the Company's energy efficiency) are also incorporated into this report by reference.

The Company has chosen to include the disclosure of likely future developments of the Company's business in the Strategic Report.

Climate-related disclosures consistent with the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and TCFD Recommended Disclosures can be found on pages 36 to 40.

### Incorporation and constitution

Costain Group PLC is domiciled in England and incorporated in England and Wales under Company Number 1393773.

### Annual General Meeting (AGM)

The Company's 2025 AGM will be held on Thursday 15 May 2025 on the Seventh Floor of 70 St Mary Axe, London, EC3A 8BE. A circular incorporating the Notice of AGM accompanies this annual report.

### Change of registered office

On 5 August 2024 the Company and its subsidiaries based in England changed their registered office from Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB to Seventh Floor, 70 St Mary Axe, London, EC3A 8BE.

### Profit, dividend payments and dividend policy

The profit after tax for the financial year ended 31 December 2024 was £30.6m (2023: £22.1m). An interim dividend of 0.4 pence per ordinary share was paid on 18 October 2024 (2023: 0.4 pence paid on 27 October 2023). Subject to approval at the 2025 AGM, a final dividend of 2.0 pence for the year ended 31 December 2024 will be paid on 29 May 2025 (2023: 0.8 pence paid on 28 May 2024) to shareholders on the register of members at close of business on 22 April 2025. The total dividend paid for the year will therefore be 2.4 pence per ordinary share (2023: 1.2 pence).

### Dividends and other distributions

The Company may, by ordinary resolution, from time to time, declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act 2006, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment.

If the directors act in good faith, they are not liable for any loss that shareholders may suffer because a lawful dividend has been paid on other shares which rank equally with or behind their shares.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% or more interest in a class of the Company's shares, if such a person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act 2006.

### Share capital

Further to approval by shareholders at the 2024 AGM, on 16 May 2024 the Company reduced the nominal value of its 278,348,885 ordinary shares in issue at that date from £0.50 to £0.01. The reduction was completed by subdividing each £0.50 ordinary share in issue into one ordinary share of £0.01 and one deferred share of £0.49. All deferred shares were then bought back for total aggregate consideration of £0.01 and cancelled on 20 May 2024. The Company's issued ordinary share capital therefore remained unchanged immediately after the transaction (and each shareholder's proportionate interest in the share capital of the Company remained unchanged). Aside from the change in nominal value, the rights attaching to the ordinary shares (including voting and dividend rights and rights on a return of capital) remain unchanged.

As announced on 21 August 2024 the Company began a £10m on-market share buyback programme on 27 August 2024. Shares were purchased by Panmure Liberum Limited from commencement until 19 September 2024 and then by Investec Bank PLC until completion on 13 November 2024. A total of 9,718,950 shares were purchased and subsequently cancelled.

The issued share capital of the Company as at 31 December 2024 was £2,687,660.87, consisting of 268,766,087 ordinary shares of £0.01 each. Further details of the share capital of the Company can be found in note 22 on page 181.

The awards granted in April 2021 under the 2014 Long-Term Incentive Plan (LTIP) matured as at 31 December 2023, resulting in 74.5% vesting. Details regarding the vesting of the 2021 LTIP awards can be found in the Directors' Remuneration Report on pages 106 and 118. Details regarding the 2022 LTIP awards that are due to vest in April 2025 can also be found in the Directors' Remuneration Report on page 109.

There were no share options granted under the Company's Save As You Earn (SAYE) Scheme in 2021, therefore, no SAYE Scheme maturity took place in 2024. In October 2024, a grant of 4,003,701 shares was made under the SAYE Scheme. Further details of the SAYE Scheme can be found on page 119 in the Directors' Remuneration Report.

# Directors' Report continued

At the 2022 AGM, shareholders approved the renewal of the scrip dividend scheme which authorises the directors to offer and allot ordinary shares in lieu of cash dividends to those shareholders who elect to participate in the scrip dividend. This authority was granted for a period of three years (until the conclusion of the 2025 AGM), which is in line with the guidelines of the Investment Association (IA) requiring shareholder approval to be sought to renew the directors' authority to offer a scrip dividend scheme at least once every three years. Shareholder approval will therefore be sought to renew the directors' authority to offer a scrip dividend scheme at the 2025 AGM. Further information on the scrip dividend scheme is set out on page 189. Details about joining the scrip dividend scheme, including the scrip dividend mandate form, can be found on the Company's website at www.costain.com.

The following ordinary shares were issued in 2024:

| Purpose | Recipient | Number of shares | Nominal value |
|---|---|---|---|
| LTIP awards | Employee share trust | 1,630,000 | £815,000[1] |
| Scrip dividend scheme | Scrip participants | 136,152 | £1,361.52[2] |

1 Nominal value of shares at time of issue £0.50.

2 Nominal value of shares at time of issue £0.01.

## Restrictions on transfer of securities

There are no restrictions on the transfer of securities in the Company, except:

- that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and
- pursuant to the Company's Share Dealing Code, whereby the directors and certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

## Major shareholders

As at 31 December 2024, the Company had been notified, under the Disclosure Guidance and Transparency Rules issued by the Financial Conduct Authority (DTR5), of the following notifiable interests in its ordinary share capital (details as at the date of notification):

| Shareholder | Date of notification | Number of shares/voting rights | % of voting rights | Number of shares/voting rights attaching to financial instruments | % of voting rights | Aggregate % voting rights |
|---|---|---|---|---|---|---|
| J O Hambro Capital Management Limited | 21.01.2021 | 27,250,190 | 9.91 | n/a | n/a | 9.91 |
| Ennismore Fund Management Limited | 12.12.2024 | 21,427,829 | 7.97 | n/a | n/a | 7.97 |
| KBI Global Investors Ltd* | 13.05.2020 | 7,258,503 | 6.70 | n/a | n/a | 6.70 |
| Gresham House Asset Management Limited | 23.09.2020 | 15,018,286 | 5.46 | n/a | n/a | 5.46 |
| Artemis Investment Management LLP | 02.06.2020 | 8,469,850 | 3.08 | n/a | n/a | 3.08 |

* Notification prior to the capital raising completed 29 May 2020 (i.e. when the issued share capital was 108,283,074 ordinary shares).

The Company did not receive any notifications pursuant to DTR5 in the period from 31 December 2024 to the date of this report (being a date not more than one month prior to the date of the Company's Notice of AGM).

## Rights and obligations attaching to shares

In accordance with the articles of association, the Company can issue shares with any rights or restrictions attached to them provided such rights or restrictions do not restrict any rights or restrictions attached to existing shares. These rights or restrictions can be decided either by ordinary resolution passed by the shareholders or by the directors as long as there is no conflict with any resolution passed by the shareholders. Subject to the articles of association, the Companies Act 2006 and other shareholders' rights, the issue of shares is at the disposal of the Board.

## Authority to issue shares

The directors may only issue shares if authorised to do so by the articles of association or the shareholders in general meeting. At the Company's AGM held on 16 May 2024, shareholders granted an authority to the directors to allot ordinary shares up to an aggregate nominal amount of £922k.

This authority is due to expire at the end of the upcoming AGM or, if earlier, at close of business on 16 August 2025. Therefore, shareholders will be asked to renew and extend the authority given to the directors at the last AGM, to allot shares in the Company, or grant rights to subscribe for, or to convert any security into, shares in the Company for the purposes of Section 551 of the Companies Act 2006. Further details on the resolution are provided in the Notice of this year's AGM.

## Disapplication of pre-emption rights

If the directors wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings. There may be occasions, however, when the directors need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights.

At the forthcoming AGM, shareholders will be asked to pass two special resolutions to grant the directors powers to disapply shareholders' pre-emption rights under certain circumstances. Further details on the resolutions are provided in the Notice of this year's AGM.

## Power in relation to the Company buying back its own shares

The directors may only buyback shares if authorised to do so by the articles of association or by a special resolution of the shareholders at a general meeting. Any shares which have been bought back may be held as treasury shares, and either be resold for cash, cancelled (either immediately or in the future), or used for the purposes of the Company's employee share schemes. Any cancelled treasury shares will thereby reduce the amount of the Company's issued share capital.

The Company undertook a buyback programme in 2024, and a total 9,718,950 shares were purchased and subsequently cancelled. The Company did not buyback any shares during the period from 1 January 2025 to the date of this report.

At the forthcoming AGM, authority will again be sought from the shareholders to grant authority for the Company to repurchase up to 10% of the issued share capital of the Company. Further details on the resolution are provided in the Notice of this year's AGM.

## Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

## Restrictions on voting

No member shall be entitled to vote at any general meeting or class meeting in respect of any share held by them if any call or other sum then payable by them in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the articles of association) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act 2006.

The Company is not aware of any agreement between holders of securities that may result in restrictions of voting rights.

## Employee Share Trust

As at 31 December 2024, JTC Share Plan Trustee (Guernsey) Limited (formally known as Buck Trustees (Guernsey) Limited), as trustee of the Costain Group Employee Trust, held 1.53% (2023: 1.40%) of the issued share capital of the Company on trust for the benefit of those employees who exercise their share awards/options under the Company's LTIP, Share Deferral Plan and SAYE Scheme (the latter in respect of 'good leavers' who leave the employment of the Company before their contract matures). For details of share-based payments see note 21 on pages 179 to 180. The trustee does not exercise any right to vote or to receive a dividend in respect of its shareholding.

# Directors' Report continued

## Amendment of articles of association

Unless expressly specified to the contrary in the articles of association of the Company, the Company's articles of association may be amended by special resolution of the Company's shareholders. A copy of the articles of association is available on the Company's website at www.costain.com.

## Political donations

No political donations were made during the year ended 31 December 2024 (2023: nil). The Company has a policy of not making donations to political organisations. As a precautionary measure, shareholder approval is being sought at the forthcoming AGM for the Company and its subsidiaries to make donations and/or incur expenditure which may be construed as 'political' by the wide definition of that term included in the relevant legislation. Further details on the resolution are provided in the Notice of this year's AGM.

## Independent auditor

PricewaterhouseCoopers LLP (PwC) were reappointed as auditor of the Company at the 2024 AGM. The Board is proposing the reappointment of PwC as auditor from the conclusion of the AGM in May 2025 until the conclusion of the next general meeting at which the accounts are laid before the Company. See page 90 of the Audit and Risk Committee Report and the Notice of this year's AGM, available on the Company's website at www.costain.com, for further details.

## Financial instruments

Details of the Group's use of financial instruments, together with information on policies and exposure to price, liquidity, cash flow, credit, interest rate and currency risks, can be found in note 18 on pages 170 to 174. All information detailed in this note is incorporated into the Directors' Report by reference and is deemed to form part of the Directors' Report.

## Significant agreements – change of control

The directors are not aware of any significant agreements to which the Company and/or any of its subsidiaries or associates are a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid, save in respect of the facility agreements relating to the Company's banking and surety bonding facilities, which would become terminable upon a change of control. There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment as a result of a successful takeover bid except that provisions of the Company's employee share schemes and plans may cause options and awards to be granted to employees under such schemes and plans to vest on a takeover.

## Events after the reporting date

There are no reportable events after the reporting date.

## Research and development

The Group is involved in research and development in its Highways, Integrated Transport, Aviation, Energy, Defence, Water and Rail sectors. The Group's engineers and technical staff in these sectors seek to develop and deliver technical advances, for example in hydrogen, decarbonisation, carbon capture and use of 3D printed solutions (see pages 5, 10, 16 to 17, 20 to 21 and the operational review on pages 24 to 29). In undertaking certain elements of this research and development work, the Group is supported by arrangements with certain British universities and various technology specialists.

## Greenhouse gas emissions

Pages 41 to 43 of the Strategic Report detail the greenhouse gas emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. This information is incorporated by reference into (and shall be deemed to form part of) this report.

## Information required by UKLR 6.6.1R

There is no further information required to be disclosed under UKLR 6.6.1R.

## Overseas interests

Details of the Company's overseas subsidiary undertakings can be found in note 24 on pages 182 to 185 The Company has one overseas branch in Abu Dhabi.

## Directors

Biographies of the Board are given on pages 58 and 59 and include details of the skills, competencies and a brief career history of directors in post as at the date of this report and the Committees on which they serve. As announced on 12 March 2024 Bishoy Azmy, non-executive director, stepped down from the Board on 31 March 2024.

The directors shall be not less than two and not more than 18 in number. The Company may by ordinary resolution vary the minimum and/or maximum number of directors.

## Appointment and replacement of directors

The appointment and replacement of directors is governed by the Company's articles, the 2018 UK Corporate Governance Code, the Companies Act 2006 and related legislation. The articles may be amended by a special resolution of the Company's shareholders. Directors may be appointed by the Company by ordinary resolution or by the Board. At every AGM of the Company, all directors are required to retire from office and may offer themselves for reappointment by the members.

The Board, or any Committee authorised by the Board, may from time to time appoint one or more directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment.

The Company may, by special resolution, remove any director before the expiration of their period of office. The office of a director shall also be vacated under a number of situations which are set out in the articles of the Company. These include a director wishing to resign, being required to step down due to ill health, becoming bankrupt or being prohibited by law from being a director.

The executive directors have contracts of employment with the Company, terminable on 12 months' notice, while the chair and non-executive directors all have letters of appointment with the Company terminable on three months' and one month's notice respectively. An independent non-executive director's appointment is for an initial period of three years, at the expiry of which, the appointment is reviewed to determine whether the appointment should continue.

All contracts and letters of appointment are available for inspection at the Company's registered office, by appointment, during normal business hours.

## Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. Directors are required to declare all external appointments or relationships with other companies and the Board has adopted appropriate processes to manage and, if appropriate, approve any such appointment or relationship which could result in a possible conflict of interest. The Board has satisfied itself that there is no compromise to the independence of the directors who have appointments on the boards of, or relationships with, other companies. The Board has approved the actual or potential situational conflicts of interest of Kate Rock, a director of Keller Group plc, of Tony Quinlan, a director of Hill & Smith Holdings PLC, and as of 1 January 2025 of Steve Mogford, a director of Intertek Group plc, all non-material suppliers to the Company in terms of value of goods and services.

## Powers of the directors

Subject to the Company's articles of association, the Companies Act 2006 and any directions given to the Company by special resolution, the business of the Company will be managed by the Board, which may exercise all the powers of the Company. In particular, the Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge any of its undertakings, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

## Directors' interests

No director had any material interest in any contract of significance with the Group during the period under review. Details of directors' emoluments and interests in shares (including their connected persons' beneficial interests) in the Company, including any changes in interests during 2024, are contained in the Directors' Remuneration Report, which appears on pages 94 to 120.

## Directors' indemnity

Costain Group PLC maintains liability insurance for its directors and officers. There are no subsisting indemnities in favour of its directors during 2024.

## Diversity

Details of the Company's policy on diversity and inclusion within the business (including at Board level), are provided in the Governance Report on pages 78 and 79 and the Nomination Committee Report on page 92 Apart from ensuring that an individual has the ability to carry out a particular role, the Company does not discriminate in any way. The Company endeavours to retain employees if they become disabled, making reasonable adjustments to their role and, if necessary, looking for redeployment opportunities within the Group. The Company also ensures that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

## Employee information

The average number of employees within the Company and Group is shown in note 6 to the financial statements on page 159.

The Company maintains a strong communication network and employees are encouraged to discuss with directors and management matters of interest and issues affecting the day-to-day operations of the Group. Regular employee engagement surveys are run by the Company, the results of which are communicated to employees (see page 83).

Employees are also kept informed of the financial and economic factors affecting the Company's performance, the strategy and other matters of concern to them as employees, through various means including regular leadership briefings and blogs from the chief executive officer and other senior managers and via the Company's intranet site. Employees also have the opportunity to provide feedback and ask questions when directors and senior managers visit sites, at employee webinars, as well as via the employee forum 'Your Voice' (see pages 82 to 85 for engagement with workforce).

The Company operates, when considered appropriate, an all-employee share plan (the SAYE Scheme) enabling employees to become shareholders and build a stake in the future success of the Company. As mentioned on pages 96 and 119, a grant was made under the SAYE Scheme in 2024.

Further information on the Company's approach to investing in and rewarding its workforce can be found on pages 84 and 85.

# Directors' Report continued

## Stakeholder engagement

For more information on how the directors have engaged with the workforce, customers, suppliers and others, and how the directors have had regard to their interests, and the effect of that regard including on principal decisions, see the stakeholder engagement section (Section 172) on pages 74 to 77 and the workforce engagement section on pages 82 to 85 of the Governance Report.

Additionally, the Company engages with subcontractors via the twice-yearly safety, health and environment (SHE) impact days, meet the delivery partner events and monthly leadership engagement visits to projects and sites.

Additional information regarding the Company's charitable giving can be found on pages 31 and 35.

## Essential contracts or other arrangements

Given the scope and diversity of the Company's activities, the Company does not consider that it has contractual or other arrangements which are essential to the business of the Group and which are required to be disclosed.

## Transactions with related parties

Transactions between the Company, its subsidiaries (where not exempted by FRS 101), joint ventures and associates, joint operations, the Costain Pension Scheme and with its directors and executive officers, which are related parties are set out in note 25 to the financial statements on page 186. There have been no other related party transactions during the year.

## Disclosure of information to auditor

Each of the directors confirms that, so far as they are aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the Group's and Company's external auditor is unaware and that each director has taken all the steps that they ought to have taken as a director to make themself aware of any relevant audit information and to establish that the Group's and Company's external auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By Order of the Board

**Nicole Geoghegan**
Company Secretary

10 March 2025



# Directors' Responsibility Statement

## Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and FRS 101 has been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Governance section confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profits or losses of the Group;
- the Company financial statements, which have been prepared in accordance with FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

**Nicole Geoghegan**
Company Secretary

10 March 2025

# Independent auditors' report to the members of Costain Group PLC

Report on the audit of the financial statements

## Opinion

In our opinion:

- Costain Group PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2024 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and accounts (the "annual report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 December 2024; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Costain Group PLC Audit and Risk Committee.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

## Our audit approach

## Overview

### Audit scope

- The Group is primarily UK based and has two main segments; Transportation and Natural Resources. We have identified two legal entities as significant audit components, either due to their size or their risk characteristics. Additionally, we scoped one other legal entity as a non-significant component requiring full scope audit procedures and two legal entities as non-significant components requiring an audit of certain account balances, to achieve the desired coverage over all financial statement areas. We identified 30 inconsequential components for the Group audit.

### Key audit matters

- Contract accounting (Group)
- Impairment of Goodwill (Group)
- Presentation of the Group's financial performance (Group)
- Carrying value of investments in Group companies (Parent)

### Materiality

- Overall Group materiality: £5,500,000 (2023: £5,300,000) based on professional judgement (equivalent to 0.44% of the Group's revenue (2023: based on 0.4% of Group revenue)).
- Overall Company materiality: £2,360,000 (2023: £2,380,000) based on 1% of total assets.
- Performance materiality: £4,125,000 (2023: £3,975,000) (Group) and £1,770,000 (2023: £1,785,000) (Company).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The water contract rectification provision and associated insurance recovery (Group), which was a key audit matter last year, is no longer included because of the reduction in audit risk and estimation associated with the rectification provision and the related insurance receivable. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Contract accounting (Group)**<br>Refer to page 88 (Audit and Risk Committee Report), pages 144 to 153, note 2 (Summary of significant accounting policies, material areas of judgement and estimation).<br><br>The Group has significant long-term contracts in its Transportation and Natural Resources divisions. The recognition of revenue in relation to long term construction contracts is in accordance with IFRS 15 and is based on either the measure of progress calculated using the stage of completion (determined by the cost incurred to date as a proportion of total estimated cost) or as costs/time are incurred for activity based contracts. Greater audit effort is directed towards those long term contracts that recognise revenue by reference to the stage of completion given the increased estimation required.<br><br>Profit or losses on stage of completion contracts is a significant risk for our audit because of the inherent uncertainty in preparing estimates of the forecast costs and revenues on contracts. An error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date and, therefore, the current financial year.<br><br>The Group's portfolio of contracts typically use standard forms of construction contracts, however, given the complex nature and programmes of work undertaken, certain contracts are further tailored to include, for example, incentive or other mechanisms that require estimates to be made.<br><br>These estimates include but are not limited to project or alliance pain/gain mechanisms and programme and cost incentives.<br><br>These estimates also include the determination of the expected recovery of costs arising from, for example, variations to the contract requested by the customer, compensation events, and claims made both by and against the Group for delays or other additional costs arising or projected to arise.<br><br>The Group's accounting policy is to recognise additional contractual amounts receivable from customers only when these amounts are considered 'highly probable of no significant reversal'.<br><br>On the basis of the significant estimates, judgements and inherent uncertainty involved in determining the appropriate revenue recognition and associated profit, we identified Contract Accounting as a Key Audit Matter and were particularly focused on the existence/occurrence and accuracy of revenue recognition. | We focused our work on those contracts with the greatest estimation uncertainty and requiring the most judgement over the final contract values and, therefore, profit outcome. We selected risk based contracts on a targeted basis for our testing, based on both quantitative and qualitative criteria, including:<br>• contracts with high levels of revenue recognised in the year;<br>• low margin or loss making contracts;<br>• contracts with significant balance sheet exposure, in particular high levels of contract assets; and<br>• contracts identified with higher risk criteria through our discussions with management, review of board minutes, review of legal reports and review of publicly available information.<br><br>Our audit procedures were tailored according to the specific risk profile of each contract and included, but were not limited to, the following procedures:<br>• Obtaining an understanding of the relevant contractual clauses and terms and conditions and agreeing forecast revenue to signed contracts, signed variations, agreed compensation events or other corroborative and supporting documentation;<br>• Challenging management's forecasts, in particular the appropriateness of key assumptions, including the expected recovery of variations, claims and compensation events from clients, as well as pain/gain mechanisms and other related contract incentives, to determine the basis on which the associated revenue was considered to be 'highly probable' of not reversing;<br>• Challenging those assumptions in respect of estimated recoveries from subcontractors, designers, and insurers included in the forecasts, to determine their recoverability;<br>• Substantively testing a sample of actual costs incurred to date to check that these had been recorded accurately;<br>• Performing a margin analysis on the end-of-life forecasts to assess the performance of the contract portfolios year on year;<br>• Inspecting correspondence and/or meeting minutes with customers concerning variations, claims and compensation events, and obtaining third-party assessments of these from legal or technical experts contracted by the Group, if applicable, to assess whether this information was consistent with the estimates made;<br>• Reconciling revenue recognised with amounts applied for and amounts certified by clients, agreeing the amounts received to cash to ensure any reconciling items were appropriate;<br>• Agreeing forecast costs to complete to supporting evidence (such as orders signed with subcontractors, performing look back testing and assessing the appropriateness of forecast run rates) and applying historical cost run-rates to challenge the completeness and accuracy of the forecast costs to complete, including any cost contingencies held;<br>• Assessing management's estimates and any associated risks in relation to forecasts of disallowed costs or actual withheld costs and the associated impact on the project's forecast outturn. |

## Independent auditors' report to the members of Costain Group PLC continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| | • Assessing the recoverability of balance sheet items (in particular contract assets), by obtaining evidence of the value of work performed and, where applicable, comparing this to subsequent invoicing and cash receipts;<br>• For the residual contract population ('the tail'), performing targeted risk based procedures including, testing of contract assets/liabilities, cost to come forecasts, and any material unagreed change, reviewing the contract forecast report for unusual items, and recalculating the revenue based on percentage of completion;<br>• Where relevant, assessing the potential impact of other identified risks including the impact of inflation and climate change related costs on the revenue; and<br>• Considering the adequacy of the disclosures in the financial statements in relation to specific contracts and also the disclosures in respect of significant judgements and estimates.<br><br>Based on all of the evidence obtained from the above procedures, we concluded that the recognition of contract revenues and profits/losses was appropriate. We also reviewed the disclosures of estimation uncertainty in relation to significant ongoing contracts included in the financial statements and satisfied ourselves that these were appropriate. |
| **Impairment of Goodwill (Group)**<br>Refer to page 88 (Audit and Risk Committee Report), pages 144 to 153, note 2 (Summary of significant accounting policies – material areas of judgement and estimation), and page 163 note 12 – Intangible Assets.<br><br>At 31 December 2024, the Group had £45.1m of goodwill (2023: £45.1m). Goodwill has been allocated to the applicable Cash Generating Units (CGUs) of the Transportation division: £15.5m (2023: £15.5m) and the Natural Resources division: £29.6m (2023: £29.6m). The carrying value of goodwill is contingent on future cash flows and there is a risk that the assets will be impaired if these cash flows do not meet the Group's forecast projections. The impairment reviews performed by the Group contain a number of judgements and estimates including discount rates, growth rates and expected changes to operating margins during the forecast periods. In particular the cash flows include estimation uncertainty primarily in respect of the amount of work that is currently unsecured (work to be obtained). Changes in the assumptions outlined above could potentially lead to an impairment in the carrying value of assets.<br><br>We determined there to be a risk that the carrying value of goodwill allocated to the Natural Resources and Transportation divisions may not be supportable when compared to their recoverable amounts, given the level of uncertainty in future cash flows, primarily in respect of the amount of unsecured revenue that is included in the cash flow forecasts. Accordingly, we determined this to be a Key Audit Matter. | We obtained management's cash flow forecasts, which were consistent with the Board approved budget and business plan. We evaluated management's basis for determining the relevant CGUs for Goodwill testing purposes as the Transportation and Natural Resources divisions. In evaluating management's impairment assessment for goodwill in respect of the CGUs our audit procedures included, but were not limited to the following:<br><br>• Agreeing the short term cash flow forecasts to the latest Board approved budgets and forecasts for the period from FY25-FY28, testing the integrity of the underlying calculations and assessing how both internal and external drivers of performance were incorporated into the projections;<br>• Testing certain contracts in the Group's pipeline to validate the associated secured and to be obtained revenue forecast included in the model and challenging the short term growth forecasts assumed by management, including assumptions relating to working capital movements;<br>• Challenging management's forecasts and comparing future cash flow performance to historic levels as part of our assessment as to whether the forecast performance was considered achievable;<br>• Challenging and verifying the allocation of central costs and assets to the divisions, and ensuring that these were allocated on a reasonable and consistent basis;<br>• Performing sensitivity analysis in respect of the key drivers of the cash flow forecasts, in particular assessing the extent to which changes in growth rates and operating margin assumptions could lead to an impairment;<br>• Assessing and where appropriate, challenging, the discount rate and long term growth rates, with the support of our valuations experts; and<br>• Undertaking stress testing of management's forecasts and assessing whether any reasonably possible changes in assumptions would give rise to an impairment, and ensuring that, where appropriate, disclosures were made in accordance with IAS 36, 'Impairment of Assets'.<br><br>We concluded that management's assessment that no impairment was required and that the carrying value of goodwill in the Natural Resources or Transportation divisions was supportable, was appropriate. |



| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Presentation of Group's financial performance (Group)**<br>Refer to page 88 (Audit and Risk Committee Report), and pages 154 and 155 note 3 (Reconciliation of reported operating profit to adjusted operating profit).<br><br>Consistent with the prior year, the Directors present in note 3 to the accounts, the Group's principal Alternative Performance Measure (APM) as 'Adjusted Operating Profit' such that the Group's APM is consistent with how management reviews the performance of the business.<br><br>The Group's adjusted operating profit from operations of £43.1m is stated after charging:<br><br>• (£0.1m) of restructuring costs;<br>• £5.4m of transformation costs; and<br>• £6.7m of fire safety costs.<br><br>The determination of which items are treated as 'adjusted' is judgemental and needs to be consistent with the Group's accounting policy and how the Directors review the performance of the business. Users of the financial statements could be misled if amounts are not classified and disclosed in a transparent manner and consistent with the way in which the Board reviews and monitors performance.<br><br>In view of the quantum of adjusting items for FY24 we determined this to be a Key Audit Matter. | We considered whether the items included in determining the presentation of Adjusting Operating Profit were appropriate. Our audit procedures included, but were not limited to the following:<br><br>• Obtaining the latest internal Board reporting to evaluate whether the nature and quantum of the adjustments presented by management to the Board, was consistent with those highlighted as adjusted in the financial statements;<br>• Ensuring that the Group's APMs were appropriately reconciled to the relevant statutory measures;<br>• Reviewing the definition and classification of adjusting items in the Group's annual report and assessing whether the costs presented were classified as adjusting items in line with the Group's accounting policy. This included:<br>  • Critically assessing and sample testing whether the items attributable to the Transformation programme were appropriately classified and represented incremental expenditure to the Group;<br>  • Ensuring that the costs relating to fire safety represented amounts that were unrelated to the ongoing activities of the Group and are expected to be non-recurring in nature.<br><br>Based on these procedures we were satisfied with the presentation of the Group's profit before adjusting items and that the reasons for the use of this APM have been appropriately disclosed and are consistent with the Group's accounting policy. We also considered whether there was appropriate balance in the Group's annual report between references to adjusted profit measures and the Group's statutory profit and were satisfied that this was the case. |
| **Carrying value of investments in Group companies (parent)**<br>The Company holds investments in subsidiaries of £157.9m (2023: £155.6m) as disclosed in note 14 on pages 165 to 167.<br><br>Management has performed an assessment to identify if impairment indicators exist in respect of the carrying value of the Company's investments in subsidiaries that would trigger the requirement for a full impairment assessment to be performed.<br><br>The Directors concluded that, at the balance sheet date, there were no indicators of impairment that would trigger the requirement for a full impairment assessment to be performed.<br><br>This area was identified as a Key Audit Matter given the materiality of these balances. | In evaluating the Directors' assessment of impairment indicators in respect of the carrying value of investments, our audit procedures included, but were not limited to the following:<br><br>• Assessing the accounting policy for investments in subsidiaries to ensure this was compliant with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and<br>• Obtaining management's assessment of impairment indicators in respect of the carrying value of the Company's investments in subsidiaries and validating the conclusions reached by management that no impairment indicators exist that would trigger the requirement for an impairment assessment to be performed.<br><br>We determined that management's conclusion, that at the balance sheet date there were no impairment indicators that would trigger the requirement for a full impairment assessment to be performed, was reasonable. |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is primarily UK based and has two main segments; Transportation and Natural Resources. In establishing the overall approach to the Group audit, we determined the type of work needed to be performed at these reporting units. We identified the following legal entities as significant components; Costain Limited (financially significant component) and Costain Engineering and Construction Limited (significant component due to risk). We have identified one non-significant component, Costain Group PLC, which required an audit of its entire financial information, given it is the parent company of the Group. In addition, we performed work over specific balances in two other non-significant component entities, Richard Costain Limited and Costain Oil, Gas & Process Limited, which in our view, required an audit of certain account balances, either due to their size or their risk characteristics. In total, our scope accounted for 96% (2023: 98%) of Group revenues and 90% (2023: 97%) of Group profit before tax. The percentage of Group profit before tax is calculated on an absolute basis, which aggregates component profits and losses.

Independent auditors' report to the members of Costain Group PLC continued

## The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate change risk on the Group's financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact. We used our knowledge of the Group to evaluate management's assessment. We particularly considered how climate change risks would impact the assumptions made in the forecasts prepared by management used in their estimates and judgements in respect of long-term contract accounting and impairment analyses. We also considered the consistency of the disclosures in relation to climate change made in the other information within the annual report with the financial statements and our knowledge from our audit.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements – Group | Financial statements – Company |
|---|---|---|
| **Overall materiality** | £5,500,000 (2023: £5,300,000). | £2,360,000 (2023: £2,380,000). |
| **How we determined it** | Professional judgement (at equivalent to 0.44% of the Group's revenue) (2023: based on 0.4% of the Group's revenue). | 1% of total assets (2023: based on 1% of total assets). |
| **Rationale for benchmark applied** | We considered different benchmarks based on a number of profit measures and revenue, taking into account the performance of the business over the last few years and the overall scale of the business. This gave us a range within which to determine materiality. Based on our professional judgement, we concluded that an amount of £5.5m was appropriate, which represents approximately 0.44% of the Group's revenue. | The parent company primarily holds cash, investments in subsidiaries and intercompany payables. There are no trading activities in the Company, therefore, we considered a balance sheet measure to be the most appropriate auditing benchmark. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across full-scope components was between £4.6m and £4.9m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £4,125,000 (2023: £3,975,000) for the Group financial statements and £1,770,000 (2023: £1,785,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Costain Group PLC Audit and Risk Committee that we would report to them misstatements identified during our audit above £275,000 (Group audit) (2023: £280,000) and £118,000 (Company audit) (2023: £119,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- assessing the appropriateness of cash flow and liquidity forecasts as well as forecasts of covenant compliance in relation to the Group's banking facilities which extend until September 2026;
- understanding and assessing the appropriateness of the key assumptions used both in the base case and in the Directors' severe but plausible downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- corroborating key assumptions to underlying documentation (e.g. by comparing forecast sales growth to levels of future revenue that have been secured) and ensuring this was consistent with our audit work in these areas;
- testing the mathematical accuracy of management's cash flow models and examining the minimum committed facility headroom under the base case cash flow forecasts and sensitised cases;
- obtaining and reperforming the Group's forecast covenant compliance calculations, including sensitising the forecasts of liquidity and profitability to assess the potential impact of downside sensitivities on future covenant compliance, taking into account terms specifically defined in the covenant agreements;
- evaluating whether the Directors' conclusion that liquidity and covenant headroom remained in all these scenarios was reasonable; and
- reviewing and assessing the disclosures provided relating to the going concern basis of preparation in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

### Directors' Remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent auditors' report to the members of Costain Group PLC continued

## Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the annual report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the annual report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the annual report describing the work of the Costain Group PLC Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety legislation, pension obligations, data protection legislation, anti-bribery and corruption legislation, environmental legislation, construction laws and those governed by the Financial Conduct Authority and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussion with management, internal audit and the Group's in-house legal advisers, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of the financial statement disclosures to underlying supporting documentation;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting and the presentation of the Group's financial performance (see the related key audit matters above); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

## Independent auditors' report to the members of Costain Group PLC continued

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Appointment

Following the recommendation of the Costain Group PLC Audit and Risk Committee, we were appointed by the members on 8 May 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ended 31 December 2017 to 31 December 2024.

### Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

**Andrew Paynter (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

10 March 2025



## Consolidated Income Statement

Year ended 31 December 2024

| | Note(s) | 2024 £m | 2023 £m |
|---|---|---|---|
| Continuing operations | | | |
| **Revenue** | | **1,251.1** | 1,332.0 |
| Cost of sales | | **(1,147.8)** | (1,227.2) |
| Gross profit | | **103.3** | 104.8 |
| Administrative expenses | | **(72.2)** | (78.0) |
| **Operating profit** | | **31.1** | 26.8 |
| Finance income | 8 | **9.3** | 8.0 |
| Finance expense | 8 | **(3.9)** | (3.9) |
| Net finance income | | **5.4** | 4.1 |
| Profit before tax | 4/5 | **36.5** | 30.9 |
| Taxation | 9 | **(5.9)** | (8.8) |
| **Profit for the year attributable to equity holders of the Parent** | | **30.6** | 22.1 |
| Earnings per share | | | |
| Basic | 10 | **11.3p** | 8.1p |
| Diluted | 10 | **11.1p** | 7.8p |

The Consolidated Income Statement shows the income and expenses from continuing operations.

## Consolidated Statement of Comprehensive Income
Year ended 31 December 2024

| | 2024 £m | 2023 £m |
|---|---|---|
| **Profit for the year** | **30.6** | 22.1 |
| **Items that will not be reclassified to profit or loss:** | | |
| Remeasurement of retirement benefit asset | **(3.1)** | (17.9) |
| Tax recognised on remeasurement of retirement benefit asset | **0.8** | 4.3 |
| **Total items that will not be reclassified to profit or loss** | **(2.3)** | (13.6) |
| **Other comprehensive expense for the year** | **(2.3)** | (13.6) |
| **Total comprehensive income for the year** | **28.3** | 8.5 |



## Consolidated Statement of Financial Position
As at 31 December 2024

| | Note | 2024 £m | 2023 (as restated)* £m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 12 | **51.2** | 45.7 |
| Property, plant and equipment | 13 | **35.3** | 26.8 |
| Equity accounted investments | 14 | **0.4** | 0.4 |
| Retirement benefit asset | 21 | **54.9** | 53.5 |
| Trade and other receivables | 16 | **4.3** | 4.2 |
| Insurance recovery asset | 20 | **–** | 1.7 |
| Deferred tax | 9 | **8.6** | 11.8 |
| **Total non-current assets** | | **154.7** | 144.1 |
| **Current assets** | | | |
| Trade and other receivables | 16 | **185.3** | 198.3 |
| Insurance recovery asset | 20 | **8.8** | 11.0 |
| Income tax | 9 | **1.5** | – |
| Cash and cash equivalents – with restrictions | 17 | **38.4** | 24.4 |
| Cash and cash equivalents | 17 | **158.5** | 164.4 |
| **Total current assets** | | **392.5** | 398.1 |
| **Total assets** | | **547.2** | 542.2 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Other payables | 19 | **1.8** | 2.2 |
| Lease liabilities | 13 | **12.8** | 14.0 |
| **Total non-current liabilities** | | **14.6** | 16.2 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **271.0** | 281.4 |
| Income tax | 9 | **–** | 0.6 |
| Lease liabilities | 13 | **13.0** | 10.3 |
| Provisions for other liabilities and charges | 20 | **12.9** | 14.3 |
| **Total current liabilities** | | **296.9** | 306.6 |
| **Total liabilities** | | **311.5** | 322.8 |
| **Net assets** | | **235.7** | 219.4 |
| **Equity** | | | |
| Share capital | 22 | **2.7** | 138.3 |
| Share premium | | **16.5** | 16.4 |
| Translation reserve | | **0.6** | 0.6 |
| Treasury shares | | **(0.7)** | (1.9) |
| Capital redemption reserve | | **136.5** | – |
| Retained earnings | | **80.1** | 66.0 |
| **Total equity** | | **235.7** | 219.4 |

* See note 26 for more information on restatements.

The financial statements on pages 137 to 187 were approved by the Board of directors on 10 March 2025 and were signed on its behalf by:

**Alex Vaughan**
Director

**Helen Willis**
Director

Registered number: 1393773

## Company Statement of Financial Position

As at 31 December 2024

| | Note | 2024 £m | 2023 £m |
|---|---|---|---|
| **Assets** | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 14 | **157.9** | 155.6 |
| **Total non-current assets** | | **157.9** | 155.6 |
| Current assets | | | |
| Trade and other receivables | 16 | **0.6** | 0.9 |
| Cash and cash equivalents | 17 | **77.5** | 81.8 |
| **Total current assets** | | **78.1** | 82.7 |
| **Total assets** | | **236.0** | 238.3 |
| Liabilities | | | |
| **Non-current liabilities** | | | |
| Provisions for other liabilities and charges | 20 | **0.5** | 0.6 |
| **Total non-current liabilities** | | **0.5** | 0.6 |
| Current liabilities | | | |
| Trade and other payables | 19 | **46.6** | 40.8 |
| Income tax | 9 | **0.2** | – |
| Provisions for other liabilities and charges | 20 | **0.1** | 0.1 |
| **Total current liabilities** | | **46.9** | 40.9 |
| **Total liabilities** | | **47.4** | 41.5 |
| **Net assets** | | **188.6** | 196.8 |
| Equity | | | |
| Share capital | 22 | **2.7** | 138.3 |
| Share premium | | **16.5** | 16.4 |
| Capital redemption reserve | | **136.5** | – |
| Retained earnings | | **32.9** | 42.1 |
| **Total equity** | | **188.6** | 196.8 |

The profit for the year attributable to the Company was £2.6 million (2023: £1.3 million).

The financial statements on pages 137 to 187 were approved by the Board of directors on 10 March 2025 and were signed on its behalf by:

**Alex Vaughan**
Director

**Helen Willis**
Director

Registered number: 1393773



## Consolidated Statement of Changes in Equity

Year ended 31 December 2024

| | Share capital £m | Share premium £m | Translation reserve £m | Treasury shares £m | Capital redemption reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| At 1 January 2023 | 137.5 | 16.4 | 0.6 | – | – | 56.7 | 211.2 |
| Profit for the year | – | – | – | – | – | 22.1 | 22.1 |
| Other comprehensive expense | – | – | – | – | – | (13.6) | (13.6) |
| Issue of ordinary shares under employee share option plans | 0.8 | – | – | (0.6) | – | (0.2) | – |
| Shares purchased to satisfy employee share schemes | – | – | – | – | – | (0.1) | (0.1) |
| Equity-settled share-based payments | – | – | – | – | – | 2.2 | 2.2 |
| Acquisition of treasury shares | – | – | – | (1.3) | – | – | (1.3) |
| Dividends paid | – | – | – | – | – | (1.1) | (1.1) |
| **At 31 December 2023** | 138.3 | 16.4 | 0.6 | (1.9) | – | 66.0 | 219.4 |
| At 1 January 2024 | **138.3** | **16.4** | **0.6** | **(1.9)** | **–** | **66.0** | **219.4** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **30.6** | **30.6** |
| Other comprehensive expense | **–** | **–** | **–** | **–** | **–** | **(2.3)** | **(2.3)** |
| Issue of ordinary shares under employee share option plans | **0.9** | **–** | **–** | **(0.6)** | **–** | **(0.3)** | **–** |
| Shares awarded to satisfy employee share schemes | **–** | **–** | **–** | **1.7** | **–** | **(1.7)** | **–** |
| Equity-settled share-based payments | **–** | **–** | **–** | **–** | **–** | **2.3** | **2.3** |
| Acquisition of treasury shares | **–** | **–** | **–** | **(1.1)** | **–** | **–** | **(1.1)** |
| Nominal value reduction (note 22) | **(136.4)** | **–** | **–** | **1.2** | **136.4** | **(1.2)** | **–** |
| Share buyback (note 22) | **(0.1)** | **–** | **–** | **–** | **0.1** | **(10.0)** | **(10.0)** |
| Dividends paid | **–** | **0.1** | **–** | **–** | **–** | **(3.3)** | **(3.2)** |
| **At 31 December 2024** | **2.7** | **16.5** | **0.6** | **(0.7)** | **136.5** | **80.1** | **235.7** |

Details of the nature of the above reserves are set out below.

### Translation reserve

The translation reserve comprises all foreign exchange differences arising after 1 January 2004, the date of adoption of IFRS, from the translation of the financial statements of the residual, no longer trading foreign entities, as well as from the translation of liabilities that hedge the Group's net investment in foreign subsidiaries.

### Treasury shares

Treasury shares are shares in Costain Group PLC that are held by an Employee Benefit Trust for the purpose of issuing shares under the Costain employee share schemes (see note 21 for further information on these schemes).

### Capital redemption reserve

The capital redemption reserve exists to maintain the capital of the Company and relates to share capital amounts cancelled.

## Company Statement of Changes in Equity
Year ended 31 December 2024

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| At 1 January 2023 | 137.5 | 16.4 | – | 40.5 | 194.4 |
| Total comprehensive income | – | – | – | 1.3 | 1.3 |
| Issue of ordinary shares under employee share option plans | 0.8 | – | – | (0.8) | – |
| Equity-settled share-based payments granted to employees of subsidiaries | – | – | – | 2.2 | 2.2 |
| Dividends paid | – | – | – | (1.1) | (1.1) |
| **At 31 December 2023** | 138.3 | 16.4 | – | 42.1 | 196.8 |
| At 1 January 2024 | **138.3** | **16.4** | **–** | **42.1** | **196.8** |
| Total comprehensive income | **–** | **–** | **–** | **2.6** | **2.6** |
| Issue of ordinary shares under employee share option plans | **0.9** | **–** | **–** | **(0.8)** | **0.1** |
| Equity-settled share-based payments granted to employees of subsidiaries | **–** | **–** | **–** | **2.3** | **2.3** |
| Nominal value reduction (note 22) | **(136.4)** | **–** | **136.4** | **–** | **–** |
| Share buyback (note 22) | **(0.1)** | **–** | **0.1** | **(10.0)** | **(10.0)** |
| Dividends paid | **–** | **0.1** | **–** | **(3.3)** | **(3.2)** |
| **At 31 December 2024** | **2.7** | **16.5** | **136.5** | **32.9** | **188.6** |

### Retained earnings
The Company grants certain of its subsidiaries rights to its equity instruments as part of its share-based payment plan incentive schemes. The impact is recognised within retained earnings.

### Capital redemption reserve
The capital redemption reserve exists to maintain the capital of the Company and relates to share capital amounts cancelled.



## Consolidated Cash Flow Statement
Year ended 31 December 2024

| | Note(s) | 2024 £m | 2023 (as restated)* £m |
|---|---|---|---|
| **Cash flows generated from/(used by) operating activities** | | | |
| **Profit for the year** | | **30.6** | 22.1 |
| Adjustments for: | | | |
| Finance income | 8 | **(9.3)** | (8.0) |
| Finance expense | 8 | **3.9** | 3.9 |
| Taxation | 9 | **5.9** | 8.8 |
| Loss/(profit) on disposals of property, plant and equipment | | **0.6** | (2.2) |
| Depreciation of property, plant and equipment | 5/13 | **11.9** | 14.8 |
| Impairment of intangible assets | 5/12 | **–** | 5.3 |
| Amortisation of intangible assets | 5/12 | **0.3** | 1.3 |
| Shares purchased to satisfy employee share schemes | | **–** | (0.1) |
| Share-based payments expense | 6/21 | **2.3** | 2.2 |
| **Cash generated from operations before changes in working capital and provisions** | | **46.2** | 48.1 |
| Decrease in inventories | | **–** | 0.2 |
| Decrease/(increase) in receivables | | **15.0** | (21.9) |
| (Decrease)/increase in payables | | **(13.4)** | 50.0 |
| (Decrease)/increase in provisions | | **(4.2)** | 1.2 |
| Movement in employee benefits | | **(1.9)** | (8.0) |
| **Cash generated from operations** | | **41.7** | 69.6 |
| Interest received | | **6.7** | 4.0 |
| Interest paid | | **(3.5)** | (3.1) |
| Taxation paid | | **(2.2)** | (0.7) |
| **Net cash generated from operating activities** | | **42.7** | 69.8 |
| **Cash flows generated from/(used by) investing activities** | | | |
| Additions to owned property, plant and equipment and leasehold improvements | 13 | **(5.5)** | – |
| Additions to intangible assets | 12 | **(3.6)** | (0.1) |
| Proceeds on disposals of property, plant and equipment | | **0.1** | – |
| **Net cash used by investing activities** | | **(9.0)** | (0.1) |
| **Cash flows generated from/(used by) financing activities** | | | |
| Ordinary dividends paid | | **(3.2)** | (1.1) |
| Share buyback | | **(10.0)** | – |
| Acquisition of treasury shares | | **(1.1)** | (1.3) |
| Repayments of lease liabilities – principal | | **(11.3)** | (12.6) |
| **Net cash used by financing activities** | | **(25.6)** | (15.0) |
| **Net increase in cash and cash equivalents – with restrictions** | | **14.0** | 14.1 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(5.9)** | 40.6 |
| Net increase in cash and cash equivalents (including cash with restrictions) | | **8.1** | 54.7 |
| Cash and cash equivalents at beginning of the year (including cash with restrictions) | 17 | **188.8** | 134.1 |
| **Cash and cash equivalents at end of the year (including cash with restrictions)** | 17 | **196.9** | 188.8 |

* See note 26 for more information on restatements.

# Notes to the Financial Statements

## 1 General information

Costain Group PLC (the Company) is a public limited company domiciled in England and incorporated in England and Wales. The address of its registered office and principal place of business is disclosed on page 189 of this annual report. The principal activities of the Company and its subsidiary undertakings (collectively referred to as 'the Group') are described in the Strategic Report.

The consolidated financial statements of the Company for the year ended 31 December 2024 comprise the Group and the Group's interests in associates, joint ventures and joint operations. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements were authorised for issue by the directors on 10 March 2025.

## 2 Summary of material accounting policies

### Basis of preparation

The Group consolidated financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company financial statements have been prepared and approved by the directors in accordance with Financial Reporting Standard 101, 'Reduced disclosure framework' (FRS 101) and with the requirements of the Companies Act 2006. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

These financial statements are presented in pounds sterling, rounded to the nearest hundred thousand. The financial statements are prepared on the historical cost basis, except that pension plan assets are measured at their fair value. In preparing the financial statements of the Group, an assessment of the impact of climate change was performed with reference to the disclosures made in the Strategic Report. There has been no material impact on the financial statements in the current year from the Group's assessment of the impact of climate change, including estimates and judgements made, specifically in relation to long-term contract accounting. Related risks and opportunities have been factored into future cash flow forecasts to the best of management's ability.

The preparation of the Group and Company financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the following financial years are discussed later in this note.

The following exemptions have been applied in the preparation of the Company financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

### Going concern

The Group's business activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position, borrowing and bonding facilities, use of financial instruments, exposure to credit risk and its objectives, policies and processes for managing its capital and financial risk are described in the Chief Financial Officer's review and in note 18.

The Group's principal business activity involves work on the UK's infrastructure, mostly delivering long-term contracts with a number of customers. To meet its day-to-day working capital requirements, it uses cash balances provided from shareholders' capital and retained earnings and its borrowing facilities. The Group's bank and bonding facilities, which expire in September 2026, comprise an £85m sustainability-linked revolving credit facility (RCF) and surety and bank bonding facilities totalling £270m. The RCF facility is currently undrawn.

These facilities have a leverage covenant of net debt/adjusted EBITDA ≤1.5 times, an interest covenant of adjusted EBITA/net interest payable of ≥4.0 times and a liquidity covenant whereby the aggregate of, without double counting, any cash and cash equivalent investments and the available commitment under the facility does not fall below £50m. These financial covenants are tested quarterly. As at 31 December 2024, the Group had a leverage covenant ratio of below zero (the Group had no net debt) and an interest covenant ratio of 11.1 times. As part of its contracting operations, the Group may be required to provide performance and other bonds. It satisfies these requirements by utilising its £20m bank bonding and £250m surety company bonding facilities.

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2024, the directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.

In assessing the going concern assumption, the Board reviewed the Group's base case plans for the 15 month period to 30 June 2026, being a period of more than 12 months from the date of approval of these financial statements. The directors have assumed that the current RCF remains in place with the same covenant requirements through to its current expiry date, which is beyond the end of the period reviewed for Going Concern purposes. The base case assumes delivery of the Board approved strategic and financial plans. As part of the assessment, the Board also identified severe but plausible downsides affecting future profitability, working capital requirements and cash flow. The severe but plausible downsides include applying the aggregated impact of lower revenue, lower margins, higher working capital requirements and adverse contract settlements.

Both the base case and severe but plausible forecasts show significant headroom and indicate that the Group and the Company will be able to operate within available banking facilities and covenants throughout this period.

Having undertaken a rigorous assessment of the financial forecasts, including its liquidity and compliance with covenants, the Board considers that the Group and the Company have adequate resources to remain in operation for the foreseeable future and, therefore, the directors have adopted the going concern basis in the preparation of the financial statements.

### New and amended standards adopted by the Group

The accounting policies set out in this note have been applied consistently by the Group and the Company to each period presented in these financial statements, except for the adoption of the new accounting standards noted below.

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1;
- Lease liability in a Sale and Leaseback – Amendments to IFRS 16; and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to materially affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

Notes to the Financial Statements continued

## 2 Summary of material accounting policies continued

### Basis of consolidation

(a) The Group's financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group and control exists when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control starts until the date that control ceases.

(b) Associates are operations over which power exists to exercise significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Associates are accounted for using the equity method.

(c) Joint ventures are those joint arrangements where control of a legal entity is shared with another entity, and where the Group has rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method from the date that the joint venture starts until the date that joint control of the entity ceases.

(d) The presentation of investments in associates and joint ventures in the statement of financial position restricts the minimum carrying value to £nil. Where the cost of investment would be negative, due to losses incurred, then an amount up to the value of the negative position is applied to any outstanding loan balance with the investment or, where future funding commitments exist, a provision is made up to the value of the commitment.

(e) Joint operations are those joint arrangements over which joint control exists, established by contractual agreement, which are not legal entities and where the parties have rights to the assets and obligations for the liabilities relating to the arrangement. Where a joint operation exists, the Group entity involved records the assets it controls, the liabilities and expenses it incurs and its share of income. Such joint operations are reported in the consolidated financial statements on the same basis. Transactions between Group companies and joint operations eliminate on consolidation.

(f) Intra-Group balances and transactions together with any unrealised gains arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates, joint ventures and joint operations are eliminated to the extent of the interest in the entity or operation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### Currency translation

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate ruling at the statement of financial position date. Foreign exchange differences arising on translation are recognised in the income statement.

The assets and liabilities of the residual foreign entities are translated to pounds sterling at exchange rates ruling at the statement of financial position date. Income and expenses of foreign entities are translated to pounds sterling at rates approximating to the exchange rates ruling at the dates of these transactions.

Exchange differences arising from the translation of the net investment in the remaining foreign entities are recognised directly in equity. Those exchange differences that have arisen since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. Cumulative exchange differences are released into the income statement upon disposal. Translation differences that arose before the date of transition to IFRS in respect of all foreign operations are not presented as a separate component.

### Revenue from contracts with customers

The principal source of revenue relates to developing and improving the UK's infrastructure across the transportation, water, energy and defence sectors. The Group recognises revenue when control over the service or product is transferred to the customer and revenue is measured at the fair value of the consideration received or receivable, net of value added tax.

Long-term contracts are structured under either a cost reimbursement, target cost, fixed price or rate card mechanism. The Group also enters into framework contracts; however, the work called off under these contracts will be structured under one of the above mechanisms.

For most contracts, there is generally one performance obligation as the works specified within the contract are integrated and the customer procures one complete package, which may incorporate design, engineering and advisory work into the scope.

Where multiple performance obligations exist, for example, under a framework with several call off contracts, the Group accounts for each performance obligation separately and the transaction price is determined separately for each performance obligation. Each call off agreement typically represents a separate performance obligation; however, call off contracts are combined where appropriate.

For long-term contracts, revenue is recognised over time by measuring the progress towards complete satisfaction of the performance obligation at the statement of financial position date.

For cost reimbursement, target cost and fixed price contracts, stage of completion is assessed by reference to the proportion of contract costs incurred on work performed to date relative to the estimated total costs.

Rate card contracts may include management, design, implementation and support services under fixed-price and variable-price contracts, where the customer receives and uses the benefits simultaneously. Revenue recognised is determined by the number of hours incurred on a project multiplied by an agreed rate; where the price is fixed or capped, revenue is recognised by reference to the proportion of labour hours worked to date relative to the estimated total number of labour hours.

Each performance obligation under a framework contract may be priced using a cost reimbursement, target cost or rate card model and therefore the stage of completion is assessed by reference to these individual models.

Contract costs are recognised as expenses in the period in which they are incurred. Costs associated with bidding for contracts are written off as incurred.

The scope and/or price of the works will often be subject to change, which may take the form of a variation or compensation event.

A compensation event is within the scope of existing enforceable rights and obligations. When a variation, which either creates new, or changes existing, enforceable rights and obligations, is approved, a contract modification exists. The revenue recognition consequences of a contract modification are recognised in one of the following ways:

(a) prospectively as a separate contract (when new distinct goods or services are provided at an amount reflective of their standalone selling price);

(b) prospectively as a termination of the existing contract and creation of a new contract (where the remaining goods or services under the original contract were distinct from those already transferred to the customer); or

(c) using a cumulative catch up as if the modification were part of the existing contract (where the existing contract's performance obligation was partially satisfied).

Compensation events, claims, and gain from pain/gain or other bonus assessments are included in revenue where it is highly probable that a significant reversal of the amount of cumulative revenue recognised, which can be measured reliably, will not occur when the associated uncertainty is subsequently resolved. Pain from pain/gain arrangements or disallowed or withheld costs are included where probable to be incurred. Variable revenue is typically determined using the expected value method.

Where there is a change in circumstances that requires related revenue estimates to be revised, any reversal of revenue arising from a change that occurs in the current year but affects the previously recognised position is recognised within revenue for the current year.

In the early stages of a contract, if the outcome of a performance obligation cannot be reasonably measured, revenue is recognised to the extent of contract costs incurred, provided Costain expects to recover the costs. When it is probable that total contract costs will exceed total revenue, giving rise to an onerous contract, the unavoidable cost is recognised as an expense in cost of sales immediately.

Contract assets are stated as revenue earned from customers but not yet certified and/or invoiced, such that the right to receive the consideration is conditioned on something other than the passage of time. Amounts invoiced and/or certified, creating an unconditional right to consideration, are included in trade receivables. Where cash received from or amounts invoiced to customers exceeds the value of work performed, the amount is included in contract liabilities.

## Notes to the Financial Statements continued

### 2 Summary of material accounting policies continued

### Income statement presentation – Alternative performance measures

The Group discloses alternative performance measures, in addition to statutory disclosures, to provide investors with supplementary information which may be relevant to the Group's future performance. 'Adjusted profit' excludes 'adjusting items', which are significant items of income and expenditure that the Board considers are incremental to business operations and do not reflect the long-term performance of the Group. These adjusted measures are reconciled to statutory disclosures, with the tax impact given, in note 3, and disclosed in the segmental reporting in note 4. Presenting results on this basis is consistent with internal reporting to the Board. Alternative performance measures do not have standardised meanings and, therefore, they may not be comparable between companies.

The directors exercise judgement in determining classification as an 'adjusting item' using quantitative and qualitative factors. Consideration is given, both individually and collectively, to the circumstances giving rise to the item, its materiality and whether it is expected to recur.

'Adjusted profit' may exclude income and expenditure related to acquisitions, discontinued operations, transformation costs, restructuring costs, claims and litigation, and impairments, where the impairment is the result of an isolated, non-recurring event. 'Adjusted earnings per share' is calculated using 'adjusted profit'.

The Group also presents 'net cash/bank debt' and 'adjusted free cash flow' as alternative performance measures in the front of the annual report. 'Net cash/bank debt' is defined as cash and cash equivalents less interest-bearing borrowings (excluding leases under IFRS 16 and net of unamortised arrangement fees) and excluding 'cash and cash equivalents – with restrictions'. 'Adjusted free cash flow' is defined as cash generated from operations, excluding cash flows relating to 'adjusting items' and pension deficit contributions, less taxation and capital expenditure and excluding cash flows related to 'cash and cash equivalents – with restrictions'. The directors consider that these measures provide useful information about the Group's liquidity position.

### Research and development

Research and development activities are usually directly attributable to a project and accounted for within project costs. In line with common practice, the Group has adopted the research and development expenditure credit (RDEC) regime as these credits have characteristics similar to government grants. RDEC credits are recognised in cost of sales. Development expenditure that satisfies all the relevant conditions is capitalised as an intangible asset (see below).

### Goodwill and other intangible assets

Goodwill arising on acquisitions represents the excess of the fair value of the consideration over the identifiable assets, liabilities and contingent liabilities of the acquired entity and goodwill arising on the acquisition of subsidiaries is included in non-current assets. The attributable costs of acquisitions are expensed to the income statement.

Goodwill is reviewed annually for impairment and is carried at cost less accumulated impairment losses. Goodwill is included when determining the profit or loss on subsequent disposal of the business to which it relates.

Acquired intangible assets comprise customer relationships, order book, brand and intellectual property. Other intangible assets comprise computer software, development expenditure and patents. Customer relationships and other acquired intangibles are measured at the present value of cash flows attributable to the relationship less an appropriate contributory asset charge. Computer software, development expenditure and patents are recognised at cost.

Internally generated development expenditure is recognised as an intangible asset only if all of the following conditions are satisfied:

- it is intended for use or sale, can be technically and financially completed and is able to be used as intended;
- it is probable that the asset will create future economic benefits; and
- the development costs can be measured reliably.

Once the asset is complete, subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates, otherwise expenditure is expensed as incurred.

For Software as a Service arrangements (SaaS), the Group applies guidance as set out in the 2021 IFRIC agenda decision on Configuration and Customisation costs in a Cloud Computing Arrangement. Where the asset meets the definition of an intangible asset under IAS 38, the costs are capitalised. Alternatively, where the SaaS provider has carried out the configuration and customisation and the services are distinct from the SaaS arrangement, the costs are prepaid and spread over the term of the SaaS agreement. Otherwise, the costs are expensed as incurred.

Amortisation begins when an asset is acquired or, in the case of computer software and other development assets, is available for use. Amortisation charges are included in administration expenses and are charged over the following periods:

| | |
|---|---|
| Customer relationships | – on a straight-line basis up to seven years |
| Other intangibles (including other acquired) | – on a straight-line basis up to five years |

### Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. Cost comprises purchase price and directly attributable costs. Depreciation is charged to administration expenses. Freehold land is not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold buildings | – shorter of 50 years or lease term |
| Vehicles, plant and equipment | – 3 to 10 years |
| Leasehold improvements | – lease term |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

### Investments – Company

Company investments in subsidiaries are carried at cost less provisions for impairment.

### Impairment of non-financial assets

For the purposes of impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

The carrying amounts of other non-financial assets, except deferred tax assets, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or its cash generating unit, is less than the recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss (other than in relation to goodwill) is reversed if there has been a change in estimates, resulting in the recoverable amount exceeding the impaired carrying value of the asset. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Provisions

A provision is recognised in the statement of financial position when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

### Taxation

The tax expense represents the sum of UK corporation tax and overseas tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all temporary differences except for those specific exemptions set out below and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates based on those enacted or substantially enacted at the statement of financial position date. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Additional taxes arising from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Notes to the Financial Statements continued

## 2 Summary of material accounting policies continued

### Leases

Where the Group is party to a lease, except for short-term leases or leases of low-value assets (as noted below), the Group recognises a right-of-use asset and a lease liability upon lease commencement. The major categories of leased items within the scope of IFRS 16 are properties, vehicles and site plant. Changes to contract scope can lengthen or shorten contract programmes and result in extensions or early terminations to site plant lease terms.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The depreciation charges are included in cost of sales. In addition, the right-of-use asset is reduced by any impairment losses and adjusted for certain remeasurements of the lease liability associated with changes to the lease term.

The lease liability is initially measured at the present value of the lease payments payable over the lease term discounted at the interest rate implicit in the lease, or where this cannot be readily determined, the incremental borrowing rate.

The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

### Guarantee contracts

Customers awarding long-term contracting work may, as a condition of the award, require the contractor to provide performance and other bonds. Group bank borrowing facilities and bank and surety bonding facilities are supported by cross-guarantees given by the Company and participating companies in the Group.

The Company accounts for these as financial guarantee contracts under IFRS 9.

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Dividends

Dividends are recognised as distributions in the period in which they are declared. Dividends proposed but not declared are not recognised but are disclosed in note 11 to the financial statements.

### Share-based payments

These comprise equity-settled share-based compensation plans.

Equity-settled share-based payments are measured at fair value at the date of grant and the fair value is expensed over the vesting period, based on the estimate of awards that will eventually vest. Fair value is measured using a Black-Scholes option pricing model.

Market performance conditions are reflected in the grant date fair value of the option. Non-market vesting conditions are not included when estimating the grant date fair value; instead, the estimate of the number of equity instruments expected to vest is revised at each period end for changes in estimates of non-market conditions and on final vesting.

Where options over shares in the Company are granted to employees of subsidiaries, the Company recognises in its financial statements an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements, with the corresponding credit being recognised directly in equity.

### Treasury shares

Applying the principles in IFRS 10, the Group controls the Employee Benefit Trust that holds small numbers of Company shares to be issued under the Costain employee share schemes. Therefore, the Employee Benefit Trust is consolidated in these financial statements and shares held by the Employee Benefit Trust are presented as Treasury shares, being a deduction to equity in the statement of financial position.

### Retirement benefit obligations

A defined benefit pension scheme is operated in the UK, which provides benefits based on pensionable salary and is closed to future accrual. The details are included in note 21. The assets of the scheme are held separately from those of the Group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The liability or asset recognised in the statement of financial position in respect of the defined benefit pension scheme is the difference between the present value of the defined benefit obligations and the fair value of scheme assets at the statement of financial position date. An asset is recognised because any surplus on the Costain Pension Scheme would be recoverable by way of a refund, as the Group has the unconditional right to any surplus once all the obligations of the Scheme have been settled.

Administration costs of the scheme are recognised in the income statement. The interest income or expense on the scheme's net assets or liabilities is included in net finance income. Remeasurements of the net asset or liability are recognised in the consolidated statement of comprehensive income.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

### Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

#### (a) Financial assets

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

A financial asset is derecognised only when the contractual rights to the cash flows from that asset expire, or the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

*Trade and other receivables*

Trade and other receivables that are financial assets do not carry interest and are stated at amortised cost less loss allowances. Trade receivables represent an unconditional right to receive consideration.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. This policy applies to both the statement of financial position and the cash flow statement.

*Cash and cash equivalents – with restrictions*

'Cash and cash equivalents – with restrictions' comprise amounts held in trust accounts on behalf of certain customers and designated for future payment to suppliers.

*Impairment of financial assets*

Impairment of financial assets is based on an expected credit loss model applying the simplified approach permitted under IFRS 9. The Group calculates an allowance for credit losses based on the nature of the customer, experience of collecting receivables from similar customers and modelling default scenarios and applying probabilities of such scenarios.

#### (b) Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are derecognised only when the obligations are discharged, cancelled or expire.

*Trade and other payables*

Trade and other payables that are financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### (c) Fair value measurement

When measuring the fair value of a financial or non-financial asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels, in a fair value hierarchy, based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the hierarchy as the lowest level input that is significant to the entire measurement.

## Notes to the Financial Statements continued

### 2 Summary of material accounting policies continued

### Significant areas of judgement and estimation

The estimates and underlying assumptions used in the preparation of these financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical accounting policies and significant areas of estimation and judgement arise from the accounting for long-term contracts under IFRS 15, 'Revenue from Contracts with Customers', specific provisions, the carrying value of goodwill, the assumptions used in the accounting for defined benefit pension schemes under IAS 19, 'Employee benefits', the recognition of deferred tax assets in relation to tax losses and the items classified as 'adjusting items'.

#### Long-term contracts

The majority of the Group's activities are undertaken via long-term contracts and IFRS 15 requires the identification and separation of individual, distinct performance obligations, which are then accounted for individually. The most common type of contracts undertaken by the Group with multiple performance obligations are framework contracts. In most cases, the obligations are satisfied over time and estimates are made of the total contract costs and revenues. In many cases, these obligations span more than one financial year. Both cost and revenue forecasts may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved. Cost forecasts take into account the expectations of work to be undertaken on the contract. Revenue forecasts take into account compensation events, variations and claims and assessments, for example, of the impact of pain/gain arrangements and disallowed or withheld costs, to the extent that the amounts the Group expects to recover can be reliably estimated and are highly probable not to reverse.

Management bases its estimates of costs and revenues and its assessment of the expected outcome of each long-term contractual obligation on the latest available information. This includes detailed contract valuations, progress on discussions over compensation events, variations and claims with customers, progress against the latest programme for completing the works, forecasts of the costs to complete and, in certain cases, assessments of recoveries from insurers, suppliers and contractors, where these are considered virtually certain. Revenue is recognised to the extent that amounts forecast from compensation events, variations and claims are agreed or considered in management's judgement highly probable to be agreed.

There are a small number of material contracts where management has been required to make significant accounting estimates and, which result in estimation uncertainty, as at 31 December 2024. In relation to these contracts, the Group has included estimated recoveries with a combined value of £8.6m (2023: £11.9m), on the basis that these are considered highly probable not to reverse. However, there are a range of factors which will affect the ultimate outcome once these contracts are finalised. Management considers that the estimation uncertainty in relation to these contracts ranges from a potential upside of £11.2m to a downside of £8.6m (2023: a potential upside of £29.7m to a downside of £11.9m.

The ultimate financial impact of this estimation uncertainty will depend, inter alia, on the terms of the contract and the interaction with incentive arrangements, such as pain/gain mechanisms and bonus or KPI arrangements, as well as final conclusions regarding claims and compensation events and assessments of, for example, costs disallowed under the contract.

In addition, the HS2 programme is currently navigating a change in its programme delivery strategy with an integrated programme being developed and work is expected to commence on a revised programme with the supply chain, including the Skanska-Costain-Strabag Joint Venture. Our 2024 financial result reflects the current contractual position.

The estimates of the forecast contract outcome and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates both positive and negative is then reflected in the financial statements.

While management believes it has recorded positions that are highly probable not to reverse on the basis of existing facts and circumstances, there are uncertain factors which will impact the final contract outcome and could give rise to material adjustments within the next financial year. Given the inherent complexity and pervasive impact of the various judgements and estimates impacting revenue, cost of sales and related balance sheet amounts, it is not considered plausible to quantify the impact of taking alternative assessments on each of these judgements.

#### Rectification provision: Contract in the water sector

In 2021, the Group recognised a provision in respect of the estimated future costs of expected rectification works required at a customer's water treatment facility where the Group had been prime contractor.

As at 31 December 2022, after working with designers, insurers and the customer, there was greater clarity as to the scope and cost of rectification work required and the Group's best estimate of the cost of the single most likely rectification solution at this time was £17.0m. Costs of £4.8m had been incurred at the end of 2022, and accordingly, a provision of £12.2m was included in the statement of financial position. A number of assumptions were made in arriving at the cost estimate and management considered that the ultimate cost would fall within a range of ±30% of the estimated total.

As at 31 December 2023, progress in design and procurement had enabled management to validate the assessed programme and narrow estimation uncertainty to a range of -8%/+13% with the revised estimated total cost being £19.3m. Costs of £7.7m had been incurred to date and therefore the provision disclosed in the statement of financial position was £11.6m.

During 2024, the detailed design of the solution has been completed and works have commenced on site. Costs of £16.1m have been incurred to date against a revised total estimated cost of £21.9m, with this increase predominantly as a result of civils costs and delays in the supply chain. The provision disclosed in the statement of financial position is therefore £5.8m. Work is now due to be completed in 2025.

As first reported in 2022, Costain has engaged with its insurers and received confirmation that insurance cover is available and that all reasonable costs of rectification work that are validly incurred will be met by insurers. Consistent with this, insurers continued to make interim payments on account during 2024. On this basis, management has made a judgement that the costs of rectification, after deduction of insurers' excess and amounts already received from insurers, will be recovered. Accordingly, an insurance receivable of £8.8m is recognised in the statement of financial position as a current asset at 31 December 2024 in accordance with IAS 37 on the basis that recovery is considered virtually certain and is expected in 2025. There is a cap on insurance but the cap is significantly in excess of the cost estimate. As at 31 December 2023 and 2022 respectively, £12.7m and £13.4m had been recognised as an insurance receivable.

#### Carrying value of goodwill

Assessing the recoverability of the carrying value of goodwill recognised on acquisition requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. These assessments involve estimation and judgement, principally in respect of the levels of operating margins, growth rates and future cash flows of the cash generating units and also include consideration of the impact of potential sensitivities in respect of those assumptions. The discount rates used to calculate present values and, where a reasonable possible change in assumptions may give rise to an impairment, related sensitivities are set out in note 12.

#### Defined benefit pension scheme

Defined benefit pension schemes require significant estimates in relation to the assumptions for the discount rate, inflation and member longevity that underpin the valuation. Each year in selecting the appropriate assumptions, the directors take advice from an independent qualified actuary. The assumptions and resultant sensitivities are set out in note 21.

#### Deferred tax

Included in deferred tax assets is an asset for tax losses recorded in current and prior years. The asset is recognised on the basis that the losses will be used against future taxable profits of the Group over an estimated period of three years (2023: four years). The significant judgement in assessing the recoverability relates to the ability of the Group to achieve its taxable profit forecasts and the ability of these estimated numbers to withstand the application of what the Board considers appropriate sensitivities. Details of deferred tax assets are shown in note 9.

#### Adjusting items

As described in this note, management has used judgement to determine the items classified as 'adjusting items' as set out in note 3.

## Notes to the Financial Statements continued

### 3 Reconciliation of reported operating profit to adjusted operating profit

'Adjusted operating profit' and 'adjusted earnings per share' are presented as non-GAAP alternative performance measures. The Board considers the adjusted measures better reflect the underlying trading performance of the Group for the reasons described in note 2.

The profit adjustments represent amounts included in the income statement.

In 2024, Costain settled a fire safety compliance claim in relation to the design and build of a development which completed in 2001. The settlement closes out all known and unknown future claims on the building. The settlement is offset by a related insurance credit. A detailed review has identified one other obligation on a building completed in 2013; a provision has been created for this liability in year. Both the net settlement and the provision have been treated as adjusting items totalling £6.7m, reflecting that the costs are not related to Costain's normal course of business.

£5.4m was incurred on the Group's Transformation programme in 2024, the final year of the programme (2023: £6.2m) and £nil (2023: £1.8m) of restructuring costs.

A £0.1m credit has been recognised as a result of the sale of assets in 2024, which were written down to £nil as part of the restructure of the Group's digital hardware activities in 2023.

In 2023, the Group restructured its digital hardware activities to focus on service capabilities. As a result, the capitalised development costs of products being developed under the Group's manufacturing capabilities were impaired by £5.3m to £nil as the Group had exited this manufacturing.

| 2024 | Adjusted £m | Other items £m | Total £m |
|---|---|---|---|
| Revenue | **1,251.1** | **–** | **1,251.1** |
| Cost of sales | **(1,147.8)** | **–** | **(1,147.8)** |
| Gross profit | **103.3** | **–** | **103.3** |
| Administrative expenses before adjusting items | **(60.2)** | **–** | **(60.2)** |
| Adjusting items: | | | |
| Restructuring credit | **–** | **0.1** | **0.1** |
| Transformation costs | **–** | **(5.4)** | **(5.4)** |
| Fire safety claims | **–** | **(6.7)** | **(6.7)** |
| Administrative expenses | **(60.2)** | **(12.0)** | **(72.2)** |
| Operating profit/(loss) | **43.1** | **(12.0)** | **31.1** |
| Net finance income | **5.4** | **–** | **5.4** |
| Profit/(loss) before tax | **48.5** | **(12.0)** | **36.5** |
| Taxation | **(8.9)** | **3.0** | **(5.9)** |
| Profit/(loss) for the year attributable to equity holders of the Parent | **39.6** | **(9.0)** | **30.6** |
| Basic earnings per share | **14.6p** | | **11.3p** |

| 2023 | Adjusted £m | Intangible impairment £m | Other items £m | Total £m |
|---|---|---|---|---|
| Revenue | 1,332.0 | – | – | 1,332.0 |
| Cost of sales | (1,227.2) | – | – | (1,227.2) |
| Gross profit | 104.8 | – | – | 104.8 |
| Administrative expenses before adjusting items | (64.7) | – | – | (64.7) |
| Adjusting items: | | | | |
| Restructuring costs | – | – | (1.8) | (1.8) |
| Transformation costs | – | – | (6.2) | (6.2) |
| Impairment of intangible asset | – | (5.3) | – | (5.3) |
| Administrative expenses | (64.7) | (5.3) | (8.0) | (78.0) |
| Operating profit/(loss) | 40.1 | (5.3) | (8.0) | 26.8 |
| Net finance income | 4.1 | – | – | 4.1 |
| Profit/(loss) before tax | 44.2 | (5.3) | (8.0) | 30.9 |
| Taxation | (10.7) | – | 1.9 | (8.8) |
| Profit/(loss) for the year attributable to equity holders of the Parent | 33.5 | (5.3) | (6.1) | 22.1 |
| Basic earnings per share | 12.2p | | | 8.1p |

### 4 Operating segments

The Group has two business segments: Natural Resources and Transportation. These segments are strategic business units with separate management and have different customers or offer different services. Segmental information is provided to the chief executive who is the chief operating decision maker. The segments are discussed in the Strategic Report section of this annual report.

The accounting policies of the operating segments are the same as those described in the summary of material accounting policies. The Group evaluates segment performance on the basis of profit or loss from operations before interest and tax expense and before 'adjusting items'. The segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other items are allocated to the operating segments where appropriate, but otherwise are viewed as Central costs.

Intersegment sales and transfers are not material.

## Notes to the Financial Statements continued

### 4 Operating segments continued

| 2024 | Natural Resources £m | Transportation £m | Central costs £m | Total £m |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| Total revenue | **405.3** | **845.8** | **–** | **1,251.1** |
| **Segment profit/(loss)** | | | | |
| Operating profit/(loss) before adjusting items | **23.8** | **29.9** | **(10.6)** | **43.1** |
| Adjusting items: | | | | |
| Restructuring credit | **–** | **–** | **0.1** | **0.1** |
| Transformation costs | **–** | **–** | **(5.4)** | **(5.4)** |
| Fire safety claims | **–** | **–** | **(6.7)** | **(6.7)** |
| **Profit/(loss) from operations** | **23.8** | **29.9** | **(22.6)** | **31.1** |
| Net finance income | | | | **5.4** |
| **Profit before tax** | | | | **36.5** |
| **Segment profit/(loss) is stated after charging the following:** | | | | |
| Depreciation | **4.5** | **7.4** | **–** | **11.9** |
| Amortisation | **0.1** | **0.2** | **–** | **0.3** |
| **Segment assets** | | | | |
| Reportable segment assets | **144.0** | **179.1** | **0.6** | **323.7** |
| Unallocated assets: | | | | |
| Retirement benefit asset | | | | **54.9** |
| Deferred tax | | | | **8.6** |
| Income tax | | | | **1.5** |
| Cash and cash equivalents | | | | **158.5** |
| **Total assets** | | | | **547.2** |
| **Additions to non-current assets** | | | | |
| Property, plant and equipment | **12.2** | **14.6** | **–** | **26.8** |
| Intangible assets | **2.7** | **3.1** | **–** | **5.8** |
| **Segment liabilities** | | | | |
| Reportable segment liabilities | **125.7** | **175.5** | **10.3** | **311.5** |
| **Total liabilities** | | | | **311.5** |

Recorded within 'Reportable segment assets' is 'cash and cash equivalents – with restrictions' which represent amounts held in trust bank accounts on behalf of certain customers and designated for future payment to suppliers.

| 2023 | Natural Resources £m | Transportation £m | Central costs £m | Total £m |
|---|---|---|---|---|
| **Segment revenue** | | | | |
| Total revenue | 388.9 | 943.1 | – | 1,332.0 |
| **Segment profit/(loss)** | | | | |
| Operating profit/(loss) before adjusting items | 21.8 | 28.0 | (9.7) | 40.1 |
| Adjusting items: | | | | |
| Restructuring costs | – | (1.8) | – | (1.8) |
| Transformation costs | (0.1) | – | (6.1) | (6.2) |
| Impairment of intangible asset | – | (5.3) | – | (5.3) |
| **Profit/(loss) from operations** | 21.7 | 20.9 | (15.8) | 26.8 |
| Net finance income | | | | 4.1 |
| **Profit before tax** | | | | 30.9 |
| **Segment profit/(loss) is stated after charging the following:** | | | | |
| Depreciation | 4.5 | 10.3 | – | 14.8 |
| Amortisation and impairment | 0.2 | 6.4 | – | 6.6 |
| **Segment assets** | | | | |
| Reportable segment assets (as restated)* | 128.1 | 183.5 | 0.9 | 312.5 |
| Unallocated assets: | | | | |
| Retirement benefit asset | | | | 53.5 |
| Deferred tax | | | | 11.8 |
| Cash and cash equivalents | | | | 164.4 |
| **Total assets (as restated)*** | | | | 542.2 |
| **Additions to non-current assets** | | | | |
| Property, plant and equipment | 4.1 | 6.1 | – | 10.2 |
| Intangible assets | – | 0.1 | – | 0.1 |
| **Segment liabilities** | | | | |
| Reportable segment liabilities (as restated)* | 98.4 | 215.2 | 8.6 | 322.2 |
| Unallocated liabilities: | | | | |
| Income tax | | | | 0.6 |
| **Total liabilities (as restated)*** | | | | 322.8 |

* See note 26 for more information on restatements.

Recorded within 'Reportable segment assets' is 'cash and cash equivalents – with restrictions' which represent amounts held in trust bank accounts on behalf of certain customers and designated for future payment to suppliers.

### Geographical information

Segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets and exclude deferred tax assets.

All revenue originates in the UK (2023: all) and all non-current assets are located in the UK (2023: all).

### Customers accounting for more than 10% of revenue

Two customers (2023: two) in the transportation sector accounted for revenue of £751.2m (2023: £793.1m).

## Notes to the Financial Statements continued

### 5 Other operating expenses and income

| | 2024 £m | 2023 £m |
|---|---|---|
| Profit before tax is stated after charging: | | |
| Amortisation and impairment of intangible assets (note 12) | **0.3** | 6.6 |
| Depreciation of property, plant and equipment (note 13) | **11.9** | 14.8 |
| Restructuring costs (note 3) | **–** | 1.8 |
| Transformation costs (note 3) | **5.4** | 6.2 |
| Fire safety claims (note 3) | **6.7** | – |
| Expenses relating to short-term leases and leases of low-value assets | **42.6** | 54.8 |
| and after crediting: | | |
| Restructuring credit (note 3) | **0.1** | – |
| RDEC grant income | **6.3** | 5.7 |

Other expenses in the income statement primarily relate to subcontractor costs, materials, people costs and other business operating costs.

Short-term leases mostly relate to the hiring of plant for operations on construction sites.

#### Auditors' remuneration

| | 2024 £m | 2023 £m |
|---|---|---|
| Fees payable to the Group's auditors for the audit of the annual financial statements | **0.2** | 0.1 |
| Fees payable to the Group's auditors in respect of: | | |
| Audit of financial statements of subsidiaries of the Company | **1.0** | 1.0 |
| | **1.2** | 1.1 |

An amount of £0.2m (2023: £0.2m) was paid to the Group's auditors in 2024 for the independent review of the interim results and other non-audit services.

Amounts paid to the Company's auditors in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

### 6 Employee benefit expense

| | 2024 £m | 2023 £m |
|---|---|---|
| Wages and salaries | **233.3** | 235.9 |
| Social security costs | **25.6** | 25.7 |
| Other pension costs – defined contribution schemes (note 21) | **12.9** | 12.6 |
| Share-based payments expense (note 21) | **2.3** | 2.2 |
| | **274.1** | 276.4 |

| | 2024 Number | 2023 Number |
|---|---|---|
| **Monthly average number of persons employed** | | |
| Natural Resources | **1,608** | 1,620 |
| Transportation | **1,551** | 1,753 |
| Central | **23** | 21 |
| | **3,182** | 3,394 |

Of the above employees there were none employed overseas (2023: one was employed overseas).

### 7 Remuneration of directors

Details of the directors' remuneration, pension entitlements, interest in the Long-Term Incentive Plans, Annual Incentive Plans and share options are included in the Directors' Remuneration report.

For the purpose of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the directors in respect of 2024 and 2023 are detailed below:

| | 2024 £m | 2023 £m |
|---|---|---|
| Remuneration | **2.2** | 2.0 |
| Post-employment benefits | **0.1** | 0.1 |
| | **2.3** | 2.1 |

### 8 Finance income/(expense)

| | 2024 £m | 2023 £m |
|---|---|---|
| Interest income from bank deposits | **6.7** | 4.8 |
| Interest income on the net assets of the defined benefit pension scheme (note 21) | **2.6** | 3.2 |
| Finance income | **9.3** | 8.0 |
| Interest payable on interest bearing bank loans, borrowings and other similar charges | **(1.4)** | (2.3) |
| Interest expense on lease liabilities | **(2.5)** | (1.5) |
| Other interest | **–** | (0.1) |
| Finance expense | **(3.9)** | (3.9) |
| Net finance income | **5.4** | 4.1 |

Other similar charges includes arrangement and commitment fees payable.

## Notes to the Financial Statements continued

### 9 Taxation

| | 2024 £m | 2023 £m |
|---|---|---|
| **On profit for the year** | | |
| UK corporation tax at statutory rate of 25.0% (2023: blended rate of 23.5%) | **(4.1)** | (5.4) |
| Adjustment in respect of prior years | **1.0** | 1.0 |
| Current tax charge for the year | **(3.1)** | (4.4) |
| Deferred tax charge for the current year | **(4.0)** | (3.2) |
| Adjustment in respect of prior years | **1.2** | (1.2) |
| Deferred tax charge for the year | **(2.8)** | (4.4) |
| **Tax charge in the consolidated income statement** | **(5.9)** | (8.8) |

| | 2024 £m | 2023 £m |
|---|---|---|
| **Tax reconciliation** | | |
| Profit before tax | **36.5** | 30.9 |
| Taxation at 25.0% (2023: 23.5%) | **(9.1)** | (7.2) |
| Amounts qualifying for tax relief and disallowed expenses | **1.0** | (1.4) |
| Adjustments in respect of prior years | **2.2** | (0.2) |
| **Tax charge in the consolidated income statement** | **(5.9)** | (8.8) |
| | | |
| **Effective rate of tax** | **16.2%** | 28.5% |

The tax above does not include any amounts for equity accounted joint ventures and associates, whose results are disclosed in the consolidated income statement net of tax.

The current tax asset of £1.5m (2023: £0.6m liability) for the Group and liability of £0.2m (2023: £nil) for the Company represent the amount of tax in respect of all outstanding periods and include the Group's best estimate of any assets and liabilities, where appropriate.

| | 2024 £m | 2023 £m |
|---|---|---|
| **Tax in other comprehensive income** | | |
| Current tax – Retirement benefit assets | **1.2** | 2.6 |
| Deferred tax – Retirement benefit assets | **(0.4)** | 1.7 |
| **Tax credit in other comprehensive income** | **0.8** | 4.3 |

| | 2024 £m | 2023 £m |
|---|---|---|
| **Deferred tax asset recognised** | | |
| Accelerated capital allowances | **1.0** | 2.2 |
| Short-term temporary differences | **3.6** | 1.6 |
| Retirement benefit assets | **(13.7)** | (13.3) |
| Tax losses | **17.7** | 21.3 |
| **Deferred tax asset** | **8.6** | 11.8 |

Deferred tax assets have been calculated at the rate of 25.0% (2023: 25.0%).

Deferred tax assets have been recognised in respect of accumulated tax losses in the UK of £70.8m (2023: £85.3m). The deferred tax assets include an amount of £17.7m (2023: £21.3m) which relates to these carried forward tax losses. These have been recognised on the basis that it is expected that they will be recoverable over an estimated period of three years (2023: four years) using the estimated future taxable income based on the approved forecasts for the Group and reasonably likely estimated future profits. These losses can be carried forward indefinitely and have no expiry date.

The Group is within the scope of the OECD Pillar Two rules which implement a minimum effective tax rate of 15% on profits of large multinational groups in each country in which they operate. These rules were enacted in the UK on 11 July 2023 and will apply to the Group from the financial year ended 31 December 2024 onwards. The impact of the rules is not material to the Group given the UK profile.

The Group applies the exemption from recognising and disclosing information about deferred tax assets and liabilities, as provided in the amendments to IAS 12 issued in May 2023.

The Company has no deferred tax asset (2023: no) relating to short-term temporary differences.

| | 2024 £m | 2023 £m |
|---|---|---|
| **Analysis of deferred tax movements** | | |
| At 1 January | **11.8** | 14.5 |
| | | |
| Deferred tax in consolidated income statement | | |
| Accelerated capital allowances | **(1.2)** | 0.1 |
| Short-term temporary differences | **2.0** | (1.6) |
| Tax losses | **(3.6)** | (2.9) |
| | **(2.8)** | (4.4) |
| | | |
| Deferred tax in other comprehensive income | | |
| Retirement benefit assets | **(0.4)** | 1.7 |
| | | |
| **At 31 December** | **8.6** | 11.8 |

### Factors that may affect future tax charges

The corporation tax rate from 1 April 2023 is 25.0%. No changes to this rate have been announced by the Government. Deferred tax balances in these financial statements have therefore been calculated at the rate of 25.0%.

### Deferred tax assets not recognised

The Group and Company have deferred tax assets in their UK operations that have not been recognised at the year-end on the basis that their future economic benefits were not assured at the statement of financial position date.

The following gross value items are available as deferred tax assets:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Management expenses and charges incurred by Parent Company | **54.4** | 54.4 | **54.2** | 54.2 |
| Capital losses | **270.6** | 270.6 | **241.0** | 241.0 |

The current year tax effect of claiming short-term temporary differences and trading tax losses was £nil (2023: £nil) as shown in the tax reconciliation above.

There are no expiry dates associated with the deferred tax assets not recognised.

## Notes to the Financial Statements continued

### 10 Earnings per share

The calculation of earnings per share is based on profit of £30.6m (2023: £22.1m) and the number of shares set out below.

| | 2024 Number (millions) | 2023 Number (millions) |
|---|---|---|
| Weighted average number of ordinary shares in issue for basic earnings per share calculation | **271.3** | 273.6 |
| Dilutive potential ordinary shares arising from employee share schemes | **3.3** | 8.5 |
| Weighted average number of ordinary shares in issue for diluted earnings per share calculation | **274.6** | 282.1 |

At 31 December 2024, nil options were excluded from the weighted average number of ordinary shares calculation because they were anti-dilutive (2023: nil options were excluded).

### 11 Dividends

| | Dividend per share pence | 2024 £m | 2023 £m |
|---|---|---|---|
| Interim dividend for the year ended 31 December 2023 | 0.4 | **–** | 1.1 |
| Final dividend for the year ended 31 December 2023 | 0.8 | **2.2** | – |
| Interim dividend for the year ended 31 December 2024 | 0.4 | **1.1** | – |
| Amount recognised as distributions to equity holders in the year | | **3.3** | 1.1 |
| Dividends settled in shares | | **(0.1)** | – |
| Dividends settled in cash | | **3.2** | 1.1 |

An interim dividend of 0.4p per share was paid for the six months ended 30 June 2024. The Board is proposing a final dividend of 2.0p per share. The Board's current policy for dividends is described in note 18 a) Capital management.

### 12 Intangible assets

| Group | Goodwill £m | Customer relationships £m | Other acquired intangibles £m | Other intangibles £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2023 | 54.1 | 15.4 | 9.7 | 16.2 | 95.4 |
| Additions | – | – | – | 0.1 | 0.1 |
| Disposals | – | – | – | (0.1) | (0.1) |
| At 31 December 2023 | 54.1 | 15.4 | 9.7 | 16.2 | 95.4 |
| At 1 January 2024 | **54.1** | **15.4** | **9.7** | **16.2** | **95.4** |
| Additions | **–** | **–** | **–** | **5.8** | **5.8** |
| Disposals | **–** | **–** | **–** | **(7.6)** | **(7.6)** |
| **At 31 December 2024** | **54.1** | **15.4** | **9.7** | **14.4** | **93.6** |
| **Accumulated amortisation and impairment** | | | | | |
| At 1 January 2023 | 9.0 | 15.4 | 9.7 | 9.1 | 43.2 |
| Charge in year | – | – | – | 1.3 | 1.3 |
| Impairment in year | – | – | – | 5.3 | 5.3 |
| Disposals | – | – | – | (0.1) | (0.1) |
| At 31 December 2023 | 9.0 | 15.4 | 9.7 | 15.6 | 49.7 |
| At 1 January 2024 | **9.0** | **15.4** | **9.7** | **15.6** | **49.7** |
| Charge in year | **–** | **–** | **–** | **0.3** | **0.3** |
| Disposals | **–** | **–** | **–** | **(7.6)** | **(7.6)** |
| **At 31 December 2024** | **9.0** | **15.4** | **9.7** | **8.3** | **42.4** |
| **Net book value** | | | | | |
| **At 31 December 2024** | **45.1** | **–** | **–** | **6.1** | **51.2** |
| At 31 December 2023 | 45.1 | – | – | 0.6 | 45.7 |
| At 1 January 2023 | 45.1 | – | – | 7.1 | 52.2 |

Additions to Other intangibles in the year relate to the investment in a new HR system.

For more information on the intangible impairment in 2023, see note 3.

Goodwill has been allocated to the applicable cash generating units of the Transportation segment (£15.5m (2023: £15.5m)) and the Natural Resources segment (£29.6m (2023: £29.6m)).

As described in note 2, the Group reviews the value of goodwill and in the absence of any identified impairment risks, tests are based on internal value in use calculations of the cash generating unit (CGU). The key assumptions for these calculations are: operating margins, discount rates and growth rates.

Discount rates have been estimated based on pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The rate used to discount the forecast cash flows for both the Transportation and Natural Resources CGUs was 15.9%. In 2023, the rates used to discount the forecast cash flows for the Transportation and Natural Resources CGUs were 15.8% and 15.7% respectively.

The value in use calculations use the Group's four-year cash flow forecasts, which are based on the expected revenues and profitability of each CGU, taking into account the current level of secured and anticipated orders, extrapolated for future years by the expected growth rate applicable to each CGU, 2.0% for both Transportation and Natural Resources (2023: 2.0% for both Transportation and Natural Resources).

At 31 December 2024, based on the internal value in use calculations, management concluded that the recoverable value of both the Natural Resources and the Transportation cash generating units exceeded their respective carrying amounts with substantial headroom.

The directors consider that there is no reasonable possible change in assumptions that would give rise to an impairment, for example, a 30.0% reduction in absolute business unit operating profit, a 1.0% decrease in growth rate and a 1.0% increase in discount rate in combination would not result in an impairment.

## Notes to the Financial Statements continued

### 13 Property, plant and equipment

| Group | Leasehold improvements £m | Plant and equipment £m | Right-of-use assets: Land and buildings £m | Right-of-use assets: Vehicles, plant and equipment £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2023 | – | 24.6 | 21.8 | 28.3 | 74.7 |
| Additions | – | – | 0.5 | 9.7 | 10.2 |
| Disposals | – | (9.6) | (2.8) | (5.3) | (17.7) |
| At 31 December 2023 | – | 15.0 | 19.5 | 32.7 | 67.2 |
| At 1 January 2024 | **–** | **15.0** | **19.5** | **32.7** | **67.2** |
| Additions | **8.2** | **0.1** | **7.3** | **11.2** | **26.8** |
| Disposals | **–** | **(7.1)** | **(10.9)** | **(15.5)** | **(33.5)** |
| **At 31 December 2024** | **8.2** | **8.0** | **15.9** | **28.4** | **60.5** |
| **Accumulated depreciation and impairment** | | | | | |
| At 1 January 2023 | – | 23.3 | 7.6 | 11.8 | 42.7 |
| Charge in year | – | 0.9 | 4.8 | 9.1 | 14.8 |
| Disposals | – | (9.6) | (2.6) | (4.9) | (17.1) |
| At 31 December 2023 | – | 14.6 | 9.8 | 16.0 | 40.4 |
| At 1 January 2024 | **–** | **14.6** | **9.8** | **16.0** | **40.4** |
| Charge in year | **0.2** | **0.2** | **2.8** | **8.7** | **11.9** |
| Disposals | **–** | **(7.1)** | **(8.3)** | **(11.7)** | **(27.1)** |
| **At 31 December 2024** | **0.2** | **7.7** | **4.3** | **13.0** | **25.2** |
| **Net book value** | | | | | |
| **At 31 December 2024** | **8.0** | **0.3** | **11.6** | **15.4** | **35.3** |
| At 31 December 2023 | – | 0.4 | 9.7 | 16.7 | 26.8 |
| At 1 January 2023 | – | 1.3 | 14.2 | 16.5 | 32.0 |

Additions to Leasehold improvements in the year relate to the fit out of the new London office and related dilapidations provisions as well as additions to the Manchester office and related dilpidations provisions.

#### Leased assets

Other amounts recognised in the income statement:

| | 2024 £m | 2023 £m |
|---|---|---|
| Interest expense (included in finance expense) | **2.5** | 1.5 |
| Expense relating to short-term leases (included in cost of sales and administrative expenses) | **42.6** | 54.8 |

The lease liabilities relating to these right-of-use assets are as follows:

| | 2024 £m | 2023 £m |
|---|---|---|
| Current | **13.0** | 10.3 |
| Non-current | **12.8** | 14.0 |
| | **25.8** | 24.3 |

### 14 Investments in subsidiaries, equity accounted joint ventures and associates

#### Group

Details of subsidiary undertakings, joint ventures, joint operations and associates are shown in note 24.

Certain subsidiaries of the Group (as indicated in note 24) have opted to take advantage of the audit exemption under Section 479A of the Companies Act 2006 for the year ended 31 December 2024. In order to take advantage of this exemption, Costain Group PLC undertakes to provide a Parent Company guarantee in respect of debts and liabilities of these subsidiaries at the balance sheet date in accordance with Section 479C of the Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote.

| Investments in joint ventures | £m |
|---|---|
| **Cost** | |
| At 1 January 2023 | 20.9 |
| At 31 December 2023 | 20.9 |
| At 1 January 2024 | **20.9** |
| **At 31 December 2024** | **20.9** |
| **Share of post-acquisition reserves** | |
| At 1 January 2023 | (14.0) |
| At 31 December 2023 | (14.0) |
| At 1 January 2024 | **(14.0)** |
| **At 31 December 2024** | **(14.0)** |
| **Accumulated impairment** | |
| At 1 January 2023 | (6.5) |
| At 31 December 2023 | (6.5) |
| At 1 January 2024 | **(6.5)** |
| **At 31 December 2024** | **(6.5)** |
| **Net book value** | |
| **At 31 December 2024** | **0.4** |
| At 31 December 2023 | 0.4 |
| At 1 January 2023 | 0.4 |

## Notes to the Financial Statements continued

### 14 Investments in subsidiaries, equity accounted joint ventures and associates continued

#### Group continued

Analysis of Group share of revenue, income and assets and liabilities of joint ventures

| | 2024 Joint ventures £m | 2023 Joint ventures £m |
|---|---|---|
| Revenue | **0.1** | – |
| Profit before tax | **–** | – |
| Taxation | **–** | – |
| Profit for the year | **–** | – |
| Non-current assets | **–** | – |
| Trade and other receivables | **0.7** | 0.9 |
| Cash and cash equivalents | **0.1** | – |
| Trade and other payables – current | **(0.4)** | (0.5) |
| Non-current liabilities | **–** | – |
| Investments in joint ventures and associates | **0.4** | 0.4 |
| Dividends received by Group | **–** | – |

Net interest payable by joint ventures in 2024 was £nil (2023: £nil). There was no (2023: no) interest income and interest expense during the year.

At the year-end, there were no capital or financial commitments entered into by the joint ventures (2023: none).

Analysis of the total revenue, income, assets and liabilities of joint ventures

| | 2024 Joint ventures £m | 2023 Joint ventures £m |
|---|---|---|
| Revenue | **0.2** | 0.1 |
| Profit before tax | **–** | – |
| Taxation | **–** | – |
| Profit for the year | **–** | – |
| Non-current assets | **–** | – |
| Trade and other receivables | **1.5** | 2.0 |
| Cash and cash equivalents | **0.2** | 0.1 |
| Trade and other payables – current | **(0.7)** | (0.9) |
| Non-current liabilities | **–** | – |
| Equity | **1.0** | 1.2 |

There is no other comprehensive income/(expense) in respect of joint ventures or associates.

#### Company

| Investments in subsidiaries | £m |
|---|---|
| **Cost** | |
| At 1 January 2023 | 427.1 |
| Additions | 2.2 |
| At 31 December 2023 | 429.3 |
| At 1 January 2024 | **429.3** |
| Additions | **2.3** |
| **At 31 December 2024** | **431.6** |
| **Amounts written off** | |
| At 1 January 2023 | (273.7) |
| At 31 December 2023 | (273.7) |
| At 1 January 2024 | **(273.7)** |
| **At 31 December 2024** | **(273.7)** |
| **Net book value** | |
| **At 31 December 2024** | **157.9** |
| At 31 December 2023 | 155.6 |
| At 1 January 2023 | 153.4 |

Additions relate to the increase in the cost of investments in subsidiaries by the equivalent amount of the equity-settled share-based payment charge in relation to employees of subsidiaries included in the income statement (£2.3m (2023: £2.2m)).

Details of the Company's subsidiaries are set out in note 24.

### 15 Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers, in addition to amounts included in trade receivables and trade payables:

| | 2024 £m | 2023 (as restated)* £m |
|---|---|---|
| Contract assets | **84.0** | 84.8 |
| Contract liabilities | **(56.2)** | (63.0) |

* See note 26 for more information on restatements.

Contract assets is made up of a portfolio of contracts and represents amounts arising from changes to the scope of works that have been recognised as revenue but not yet billed to the customer. There are no other significant one-off factors outside of normal trading contributing to the decrease in contract assets.

Contract liabilities result when cumulative cash received exceeds cumulative revenue on any particular contract. On contracts undertaken by the Group, this typically results from work being undertaken, or on framework contracts awarded, in a different order to the programme envisaged in the contractual payments schedule. There are no significant one-off factors outside of normal trading contributing to the decrease in contract liabilities.

Revenue recognised in 2024 from performance obligations satisfied in previous periods was immaterial.

The aggregate amount of costs incurred plus recognised profits, less recognised losses, for all contracts in progress at the statement of financial position date was £4,814.0m (2023: £4,116.8m). Progress billings and advances received from customers under open construction contracts amounted to £4,788.1m (2023: £4,098.4m). Advances for which work has not started, and billings in excess of costs incurred and recognised profits are included in contract liabilities.

## Notes to the Financial Statements continued

### 15 Assets and liabilities related to contracts with customers continued

#### Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from long-term contracts:

| | 2024 £m | 2023 £m |
|---|---|---|
| Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at 31 December | **2,099.7** | 1,826.2 |

Management expects that approximately 37% of the transaction price allocated to the unsatisfied contracts as of 31 December 2024 will be recognised as revenue during the next reporting period (£772.7m). Of the remaining 63%, 35% will be recognised during 2026 to 2028.

#### Mobilisation costs and costs incurred to obtain a contract

The Group does not have any assets relating to mobilisation costs or costs incurred to obtain a contract.

### 16 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 (as restated)* £m | 2024 £m | 2023 £m |
| **Amounts included in current assets** | | | | |
| Trade receivables | **54.6** | 68.1 | **–** | – |
| Other receivables | **20.6** | 22.3 | **–** | – |
| Contract assets | **84.0** | 84.8 | **–** | – |
| Prepayments | **26.1** | 23.1 | **0.6** | 0.9 |
| | **185.3** | 198.3 | **0.6** | 0.9 |
| **Amounts included in non-current assets** | | | | |
| Other receivables | **4.3** | 4.2 | **–** | – |

* See note 26 for more information on restatements.

At 31 December 2024, trade receivables falling due within one year include retentions of £4.4m (2023: £3.4m) relating to long-term contracts in progress. Other receivables falling due after more than one year include retentions of £4.3m (2023: £4.2m) relating to long-term contracts in progress.

The average credit period within trade receivables on amounts billed for construction work and on sales of goods is 35 days (2023 (as restated)*: 33 days). An analysis of trade receivables ageing is shown in note 18.

### 17 Cash and cash equivalents, loans and borrowings

#### Cash and cash equivalents

Cash and cash equivalents are analysed below and include the Group's share of cash held by joint operations of £62.7m (2023: £59.2m).

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Cash and cash equivalents | **158.5** | 164.4 | **77.5** | 81.8 |
| **Cash and cash equivalents in the cash flow statement** | **158.5** | 164.4 | **77.5** | 81.8 |

#### Cash and cash equivalents – with restrictions

'Cash and cash equivalents – with restrictions' comprise amounts held in trust accounts on behalf of certain customers and designated for future payment to suppliers (see note 26).

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 (as restated)* £m | 2024 £m | 2023 £m |
| Cash and cash equivalents – with restrictions | **38.4** | 24.4 | **–** | – |
| **Cash and cash equivalents – with restrictions in the cash flow statement** | **38.4** | 24.4 | **–** | – |

#### Cash flow information

##### Net cash/(debt) reconciliation

This section sets out an analysis of net cash/(debt) and movements in net cash/(debt) during the year.

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 (as restated)* £m | 2024 £m | 2023 £m |
| Cash and cash equivalents (including cash with restrictions) | **196.9** | 188.8 | **77.5** | 81.8 |
| Less Cash and cash equivalents – with restrictions | **(38.4)** | (24.4) | **–** | – |
| Net cash before lease liabilities | **158.5** | 164.4 | **77.5** | 81.8 |
| Lease liabilities (note 13) | **(25.8)** | (24.3) | **–** | – |
| Net cash | **132.7** | 140.1 | **77.5** | 81.8 |

| Group | Cash and cash equivalents (including cash with restrictions) (as restated)* £m | Less Cash and cash equivalents – with restrictions (as restated)* £m | Lease liabilities £m | Total £m |
|---|---|---|---|---|
| Net cash/(debt) at 1 January 2023 | 134.1 | (10.3) | (29.5) | 94.3 |
| Cash flows | 54.7 | (14.1) | 12.6 | 53.2 |
| New leases | – | – | (10.2) | (10.2) |
| Disposal of leases | – | – | 2.8 | 2.8 |
| Interest expense | – | – | (1.5) | (1.5) |
| Interest payments (presented as operating cash flows) | – | – | 1.5 | 1.5 |
| Net cash/(debt) at 31 December 2023 | 188.8 | (24.4) | (24.3) | 140.1 |
| Net cash/(debt) at 1 January 2024 | **188.8** | **(24.4)** | **(24.3)** | **140.1** |
| Cash flows | **8.1** | **(14.0)** | **11.3** | **5.4** |
| New leases | **–** | **–** | **(18.5)** | **(18.5)** |
| Disposal of leases | **–** | **–** | **5.7** | **5.7** |
| Interest expense | **–** | **–** | **(2.5)** | **(2.5)** |
| Interest payments (presented as operating cash flows) | **–** | **–** | **2.5** | **2.5** |
| Net cash/(debt) at 31 December 2024 | **196.9** | **(38.4)** | **(25.8)** | **132.7** |

| Company | Cash and cash equivalents £m |
|---|---|
| Net cash/(debt) at 1 January 2023 | 0.1 |
| Cash flows | 81.7 |
| Net cash at 31 December 2023 | 81.8 |
| Net cash/(debt) at 1 January 2024 | **81.8** |
| Cash flows | **(4.3)** |
| Net cash at 31 December 2024 | **77.5** |

## Notes to the Financial Statements continued

### 18 Financial instruments – Fair values and risk management

#### Risk management

The Group's centralised treasury function manages financial risk, principally arising from liquidity and funding risks and movements in foreign currency rates and interest rates, for all companies within the Group in accordance with policies agreed by the directors.

Neither the Company nor the Group enters into speculative transactions.

#### a) Capital management

The objective of the Group's strategy is to deliver long-term sustainable value to shareholders while maintaining a balanced approach to investment in the business, a strong balance sheet and returns to shareholders. Costain is targeting a dividend cover of around three times adjusted earnings, taking into account the cash flow generated in the period, and the potential impact of the 'dividend parity' arrangement relating to the defined benefit pension scheme.

An interim dividend of 0.4p per share was paid for the six months ended 30 June 2024. The Board is proposing a final dividend of 2.0p per share.

#### b) Liquidity and funding risk

Ultimate responsibility for liquidity and funding risk rests with the Board, which has put in place a monitoring and reporting framework to manage funding requirements.

Liquidity risk is managed by monitoring actual and forecast short and medium-term cash flows and the maturity profile of financial assets and liabilities and by maintaining adequate cash reserves and bank facilities. The nature and timing of the contract cash flows, together with the change in business mix, is causing the cash balances to reflect minimal variances between the average month-end and week-end balances during the year.

The average month-end net cash balance on cash and cash equivalents during the year was £169.4m (2023: £141.4m) and the average week-end net cash balance on cash and cash equivalents during the year was £164.3m (2023: £141.0m).

Customers awarding long-term contracting work may, as a condition of the award, require the contractor to provide performance and other bonds. Consequently, the Group is reliant on its ability to source bank and surety bonds. It has facilities in place to provide these bonds and monitors the usage and regularly updates the forecast usage of these facilities.

At 31 December 2024, the Group had banking and bonding facilities, including a £85.0m Revolving Credit Facility, extending to 24 September 2026 (2023: £85.0m Revolving Credit Facility, extending to 24 September 2026). The unsecured facilities have financial covenants based on interest cover and leverage measured quarterly and liquidity measured monthly. The covenants are based on accounting standards already in force at the date of signing the facilities and any subsequent agreements. The Group complied with all covenants in 2024. The unsecured bonding facilities are set out below:

| | Group and Company | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Expiring between one and five years | **270.0** | 270.0 |
| Element of above facilities available for borrowings | **–** | – |

At 31 December 2024, the utilisation of these bonding facilities amounted to £65.3m (2023: £69.8m).

#### c) Credit risk

The Group focuses on major Tier 1 private sector and large public sector customers. In respect of contracts with customers, the Group uses an external credit scoring system to assess a potential customer's credit quality and considers the timing and amounts of progress payments and will enter into a contract only if these assessments are satisfactory.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Group 1 comprises major Tier 1 private sector and large public sector customers. Group 2 includes smaller customers and receivables arising from various additional services undertaken as requirements of some of the maintenance contracts. Revenue of £1,243.3m (2023: £1,322.2m) was attributable to Group 1 customers and £7.8m (2023: £9.8m) attributable to Group 2 customers.

The contract assets relate to unbilled work in progress and have substantially the same credit risk characteristics as the trade receivables for the same types of contracts. The Group has concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that might affect the ability of the customers to settle the receivables.

On this basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows for both trade receivables and contract assets:

| | Current | Less than 60 days past due | 60 to 120 days past due | More than 120 days past due | Total |
|---|---|---|---|---|---|
| **31 December 2024** | | | | | |
| **Group 1** | | | | | |
| Expected loss rate | **0.00%** | **0.10%** | **0.25%** | **0.50%** | |
| | £m | £m | £m | £m | £m |
| Trade receivables | **40.5** | **13.4** | **0.1** | **0.3** | **54.3** |
| Contract assets | **60.8** | **13.6** | **2.5** | **7.1** | **84.0** |
| **Loss allowance** | **–** | **–** | **–** | **–** | **–** |
| **Group 2** | | | | | |
| Expected loss rate | **1.0%** | **2.0%** | **15.0%** | **30.0%** | |
| | £m | £m | £m | £m | £m |
| Trade receivables | **0.1** | **0.2** | **–** | **–** | **0.3** |
| Contract assets | **–** | **–** | **–** | **–** | **–** |
| **Loss allowance** | **–** | **–** | **–** | **–** | **–** |
| **31 December 2023** | | | | | |
| **Group 1** | | | | | |
| Expected loss rate | 0.00% | 0.10% | 0.25% | 0.50% | |
| | £m | £m | £m | £m | £m |
| Trade receivables (as restated)* | 54.1 | 11.9 | 1.7 | 0.2 | 67.9 |
| Contract assets (as restated)* | 71.7 | 6.4 | 2.0 | 4.7 | 84.8 |
| **Loss allowance** | – | – | – | – | – |
| **Group 2** | | | | | |
| Expected loss rate | 1.0% | 2.0% | 15.0% | 30.0% | |
| | £m | £m | £m | £m | £m |
| Trade receivables | 0.1 | – | – | 0.1 | 0.2 |
| Contract assets | – | – | – | – | – |
| **Loss allowance** | – | – | – | – | – |

* See note 26 for more information on restatements.

Impairment losses on trade receivables and contract assets are included within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. The total provision for impairment of trade and other receivables is £0.1m (2023: £0.3m). The credit risk in contract assets is not material.

There is no material credit risk associated with non-current retentions as assessed in accordance with the simplified expected credit loss model.

There is no material credit risk associated with other receivables (excluding non-current retentions) as assessed in accordance with the 12 month expected credit loss model.

Deposits in the UK are placed with bank facility providers or, in joint operations, with banks agreed by the partners, provided that the bank has a long-term credit rating above BBB-. Given the high credit ratings of the banks and insurance companies used, management does not expect any counterparty will fail to meet its obligations.

At the year-end date, excluding UK Government bodies, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amounts of each financial asset and the individual constituents of contract assets in the statement of financial position.

## Notes to the Financial Statements continued

### 18 Financial instruments – Fair values and risk management continued

### Risk management continued

#### d) Interest rate risk

The Group has cash balances and bank facilities in the UK, mostly denominated in pounds sterling.

As there are no borrowings at the 2024 year-end, interest rate risk is negligible.

#### e) Foreign currency risk

Transactional currency exposures arise from sales or purchases by operating companies in currencies other than their functional currency. The current strategy is to hedge both committed and forecast foreign currency exposures, where applicable, and where the transaction timing and amount can be determined reliably and no natural hedge exists. The Group only enters into forward contracts when a contractual commitment exists in respect of the foreign currency transaction and the Group's policy is to negotiate the terms of the hedge derivative to match the terms of the hedged item to maximise hedge effectiveness. The Group's treasury function evaluates and hedges foreign currency risks, in close cooperation with the responsible operational management team.

### Financial assets and liabilities

The Group has grouped its financial instruments into 'classes'. Although IFRS 7 does not define 'classes', as a minimum instruments measured at amortised cost should be distinguished from instruments measured at fair value.

#### a) Currency and maturity of financial assets

*Financial assets not measured at fair value*

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total £m | Within one year £m | Between one and five years £m | After five years £m | Total £m | Within one year £m | Between one and five years £m | After five years £m |
| Cash and cash equivalents: | | | | | | | | |
| pounds sterling | **158.2** | **158.2** | **–** | **–** | 163.9 | 163.9 | – | – |
| other | **0.3** | **0.3** | **–** | **–** | 0.5 | 0.5 | – | – |
| | **158.5** | **158.5** | **–** | **–** | 164.4 | 164.4 | – | – |
| Cash and cash equivalents – with restrictions: | | | | | | | | |
| pounds sterling (as restated)* | **38.4** | **38.4** | **–** | **–** | 24.4 | 24.4 | – | – |
| | **38.4** | **38.4** | **–** | **–** | 24.4 | 24.4 | – | – |
| Trade and other receivables: | | | | | | | | |
| pounds sterling (as restated)* | **79.5** | **75.2** | **4.3** | **–** | 94.6 | 90.4 | 4.2 | – |
| Insurance recovery asset: | | | | | | | | |
| pounds sterling | **8.8** | **8.8** | **–** | **–** | 12.7 | 11.0 | 1.7 | – |
| | **88.3** | **84.0** | **4.3** | **–** | 107.3 | 101.4 | 5.9 | – |
| **Total financial assets not measured at fair value (as restated)*** | **285.2** | **280.9** | **4.3** | **–** | 296.1 | 290.2 | 5.9 | – |

The Group has not disclosed the fair values for short-term trade receivables within financial assets, because their carrying amounts are a reasonable approximation of fair values.

The insurance recovery asset is measured in accordance with IAS 37.

#### b) Currency and maturity of financial liabilities

*Financial liabilities not measured at fair value*

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Total £m | Within one year £m | Between one and five years £m | Total £m | Within one year £m | Between one and five years £m |
| Lease liabilities – pounds sterling | **25.8** | **13.0** | **12.8** | 24.3 | 10.3 | 14.0 |
| Trade payables and amounts owed to joint ventures and associates – pounds sterling (as re-presented)** | **47.3** | **45.5** | **1.8** | 72.1 | 69.9 | 2.2 |
| **Total financial liabilities not measured at fair value (as re-presented)**** | **73.1** | **58.5** | **14.6** | 96.4 | 80.2 | 16.2 |

The Group has not disclosed the fair values for short-term trade and other payables and bank loans within financial liabilities, because their carrying amounts are a reasonable approximation of fair values.

Lease liabilities are carried at the present value of the minimum lease payments. The expected undiscounted lease payments on long-term and high value leased assets included in the IFRS 16 discounted liability are within one year £12.1m (2023: £13.0m), two to five years £19.3m (2023: £23.5m) and over five years £7.2m (2023: £4.2m).

There are no financial liabilities carried at fair value.

The Company has issued financial guarantees relating to performance of contracts signed by its subsidiaries, which could be called upon on demand if the subsidiary fails to perform under the contract. However, the value of these guarantees is difficult to quantify, and they have never been called.

#### c) Reconciliation of trade and other receivables and trade and other payables to the statement of financial position

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Current £m | Non-current £m | Current £m | Non-current £m |
| Trade and other receivables (as above) (as restated)* | **84.0** | **4.3** | 101.4 | 5.9 |
| Contract assets (as restated)* | **84.0** | **–** | 84.8 | – |
| Prepayments | **26.1** | **–** | 23.1 | – |
| | **194.1** | **4.3** | 209.3 | 5.9 |

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Current £m | Non-current £m | Current £m | Non-current £m |
| Trade and other payables (as above) (as re-presented)** | **45.5** | **1.8** | 69.9 | 2.2 |
| Social security | **8.8** | **–** | 8.6 | – |
| Other payables | **21.0** | **–** | 24.1 | – |
| Contract liabilities (as restated)* | **56.2** | **–** | 63.0 | – |
| Accruals and deferred income (as restated)* | **139.5** | **–** | 115.8 | – |
| | **271.0** | **1.8** | 281.4 | 2.2 |

* See note 26 for more information on restatements

** Social security and other payables were erroneously included as financial liabilities in 2023.

## Notes to the Financial Statements continued

### 18 Financial instruments – Fair values and risk management continued

#### Financial assets and liabilities continued

d) Effective interest rates of financial assets and liabilities

*Financial assets*

| | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | **0.00% to 5.05%** | 0.00% to 5.15% |

*Financial liabilities*

The Group has a £85.0m (2023: £85.0m) Revolving Credit Facility (RCF) of which £nil (2023: £nil) was drawn at the year-end. The RCF is unsecured and carries interest at floating rate at a margin over SONIA.

#### Measurement of fair value

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used. There are no financial instruments whose fair value could be determined under Level 1 or 3.

*Financial instruments not measured at fair value*

| Type | Valuation technique | Significant unobservable inputs |
|---|---|---|
| Other financial liabilities (as above) | Discounted cash flow | Not applicable |

### 19 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 (as restated)* £m | 2024 £m | 2023 £m |
| **Current liabilities** | | | | |
| Trade payables | **45.3** | 69.3 | **–** | – |
| Other payables | **21.0** | 24.1 | **0.1** | 0.1 |
| Social security | **8.8** | 8.6 | **–** | – |
| Contract liabilities | **56.2** | 63.0 | **–** | – |
| Accruals and deferred income | **139.5** | 115.8 | **0.5** | 0.5 |
| Amounts owed to joint ventures and associates | **0.2** | 0.6 | **–** | – |
| Amounts owed to subsidiary undertakings | **–** | – | **46.0** | 40.2 |
| | **271.0** | 281.4 | **46.6** | 40.8 |
| **Non-current liabilities** | | | | |
| Other payables | **1.8** | 2.2 | **–** | – |
| | **1.8** | 2.2 | **–** | – |

* See note 26 for more information on restatements.

Accruals and deferred income include subcontract liabilities (not yet payable), subcontract retentions and other accruals and deferred income.

£17.5m (2023 (as restated)*: £0.8m) of the amounts included in contract liabilities and deferred income at 31 December 2023 has been recognised in the income statement in the year.

Other payables primarily includes the VAT liability.

The directors consider that the carrying amount of trade payables and amounts owed to joint ventures and associates approximates to their fair value.

Financial risk management policies are in place that seek to ensure that all payables are paid within their credit timeframes.



### 20 Provisions for other liabilities and charges

| Group | Rectification provision £m | Other £m | Total £m |
|---|---|---|---|
| **Current** | | | |
| At 1 January 2023 | 8.5 | 0.9 | 9.4 |
| Provided | 2.2 | 2.3 | 4.5 |
| Utilised | (2.8) | (0.1) | (2.9) |
| Released | – | (0.4) | (0.4) |
| Reclassified from non-current | 3.7 | – | 3.7 |
| At 31 December 2023 | 11.6 | 2.7 | 14.3 |
| At 1 January 2024 | **11.6** | **2.7** | **14.3** |
| Provided | **2.6** | **6.6** | **9.2** |
| Utilised | **(8.4)** | **(0.1)** | **(8.5)** |
| Released | **–** | **(2.1)** | **(2.1)** |
| **At 31 December 2024** | **5.8** | **7.1** | **12.9** |
| **Non-current** | | | |
| At 1 January 2023 | 3.7 | – | 3.7 |
| Reclassified to current | (3.7) | – | (3.7) |
| At 31 December 2023 | – | – | – |
| At 1 January 2024 | **–** | **–** | **–** |
| **At 31 December 2024** | **–** | **–** | **–** |

| Company | Funding obligations £m |
|---|---|
| **Current** | |
| At 1 January 2023 | 0.1 |
| Reclassified from non-current | 0.1 |
| Utilised | (0.1) |
| At 31 December 2023 | 0.1 |
| At 1 January 2024 | **0.1** |
| Reclassified from non-current | **0.1** |
| Utilised | **(0.1)** |
| **At 31 December 2024** | **0.1** |
| **Non-current** | |
| At 1 January 2023 | 0.7 |
| Reclassified to current | (0.1) |
| At 31 December 2023 | 0.6 |
| At 1 January 2024 | **0.6** |
| Reclassified to current | **(0.1)** |
| **At 31 December 2024** | **0.5** |

# Notes to the Financial Statements continued

## 20 Provisions for other liabilities and charges continued

### Group

#### Rectification provision: Contract in the water sector

In 2021, Costain recognised a provision in respect of the estimated future costs of expected rectification works required at a customer's water treatment facility where the Group had been prime contractor.

During 2024, the detailed design of the solution has been completed and works have commenced on site. Costs of £16.1m have been incurred to date against a revised total estimated cost of £21.9m, with this increase predominantly as a result of civils costs and delays in the supply chain. The provision disclosed in the statement of financial position is therefore £5.8m. Work is now due to be completed in 2025.

As first reported in 2022, Costain has engaged with its insurers and received confirmation that insurance cover is available and that all reasonable costs of rectification work that are validly incurred will be met by insurers. Consistent with this, insurers continued to make interim payments on account during 2024. Accordingly, an insurance receivable of £8.8m is recognised in the statement of financial position at 31 December 2024 in accordance with IAS 37 on the basis that recovery is considered virtually certain and is expected in 2025. There is a cap on insurance but the cap is significantly in excess of the cost estimate. As at 31 December 2023 and 2022 respectively, £12.7m and £13.4m had been recognised as an insurance receivable.

Whilst the cost provision is management's best estimate, there may be variances to this estimate due to unforeseen events. It is therefore reasonably foreseeable that adjustments to the amounts recognised as a provision may be required.

However, given the relationship between the insurance policy and the liability, management does not consider that any increase in the cost of the rectification works will result in a material impact to the Group's financial position.

Further information on estimates and judgements made in relation to this provision are given in note 2.

Other provisions mainly comprise provisions for dilapidations which are expected to be utilised in line with cessation of the relevant leases and a provision for a fire safety compliance claim (see note 3), which is expected to be utilised in the next year.

### Company

Provisions in the Company relate to funding obligations to a non-trading overseas subsidiary, which eliminate on consolidation.

## 21 Employee benefits

### Pensions

The Group operates a defined benefit pension scheme in the UK; contributions are paid by subsidiary undertakings. There are also two defined contribution pension schemes in place in the UK, to which contributions are made by both subsidiary undertakings and employees. The total pension charge in the income statement is £12.2m, comprising £14.8m included in operating costs less £2.6m interest income included in net finance income (2023: £11.4m, comprising £14.6m included in operating costs less £3.2m interest income included in net finance income).

#### Defined benefit scheme

The defined benefit scheme was closed to new members on 31 May 2005 and from 1 April 2006, future benefits were calculated on a Career Average Revalued Earnings basis. The scheme was closed to future accrual of benefits to members on 30 September 2009. A full actuarial valuation of the scheme was carried out as at 31 March 2022 and this was updated to 31 December 2024 by a qualified independent actuary. At 31 December 2024, there were 2,886 retirees and 2,601 deferred members (2023 (restated): 2,886 retirees and 2,601 deferred members). In previous annual reports, Costain has reported the actual number of retirees and deferred members as provided by its administrator; however, as per IAS 19, the number of retirees and deferred members used in the IAS 19 calculation should be reported and therefore Costain has restated the 2023 comparatives. The number now reported represents membership data taken from the March 2022 triennial valuation; it is not rolled forward in the IAS 19 calculations.

The weighted average duration of the obligations is 11.0 years (2023: 11.9 years).

| | 2024 £m | 2023 £m | 2022 £m |
|---|---|---|---|
| Present value of defined benefit obligations | **(497.5)** | (542.6) | (527.1) |
| Fair value of scheme assets | **552.4** | 596.1 | 587.3 |
| Recognised asset for defined benefit obligations | **54.9** | 53.5 | 60.2 |

| Movements in present value of defined benefit obligations | 2024 £m | 2023 £m |
|---|---|---|
| At 1 January | **542.6** | 527.1 |
| Interest cost | **25.0** | 25.5 |
| Remeasurements – demographic assumptions | **0.5** | (1.0) |
| Remeasurements – financial assumptions | **(41.0)** | 14.8 |
| Remeasurements – experience adjustments | **3.7** | 10.5 |
| Benefits paid | **(33.3)** | (34.3) |
| **At 31 December** | **497.5** | 542.6 |

| Movements in fair value of scheme assets | 2024 £m | 2023 £m |
|---|---|---|
| At 1 January | **596.1** | 587.3 |
| Interest income | **27.6** | 28.7 |
| Remeasurements – return on assets | **(39.9)** | 6.5 |
| Contributions by employer | **2.0** | 8.1 |
| Administrative expenses | **(0.1)** | (0.2) |
| Benefits paid | **(33.3)** | (34.3) |
| **At 31 December** | **552.4** | 596.1 |

| Expense recognised in the income statement | 2024 £m | 2023 £m |
|---|---|---|
| Administrative expenses paid by the pension scheme | **(0.1)** | (0.2) |
| Administrative expenses paid directly by the Group | **(1.8)** | (1.8) |
| Interest income on the net assets of the defined benefit pension scheme | **2.6** | 3.2 |
| | **0.7** | 1.2 |

| Fair value of scheme assets | 2024 £m | 2023 £m |
|---|---|---|
| Global equities | **90.0** | 99.5 |
| Multi-asset growth funds | **20.7** | 65.9 |
| Multi-credit fund | **83.8** | 96.6 |
| LDI plus collateral | **339.7** | 323.8 |
| Cash | **18.2** | 10.3 |
| | **552.4** | 596.1 |

All equities are quoted securities. The multi-asset growth funds comprise portfolios of quoted and unquoted investments. The multi-credit fund invests in a portfolio of primarily floating rate debt of non-investment grade or unrated borrowers. The Liability Driven Investments (LDI) portfolio comprises gilts, repurchase agreements and swaps and is supported by a liquid absolute return fund providing collateral.

Quoted equities are valued at the prevailing bid, offer or middle market stock exchange or over-the-counter market prices. In the multi-asset growth funds, the fair values of the underlying unquoted assets are determined by the fund managers using quoted prices for similar assets or other valuation techniques where all the inputs are directly observable or indirectly observable from market data. The loans in the multi-credit fund may be priced either using quotes from a pricing vendor (if available), a broker or at a level determined by the investment manager that is agreed with the fund. The LDI fund is valued using a unit price calculated for the fund based on the net asset value of the underlying assets.

The pension scheme does not have any assets invested in the Group's financial instruments or in property or other assets used by the Group.

## Notes to the Financial Statements continued

### 21 Employee benefits continued
### Pensions continued
#### Defined benefit scheme continued

| Principal actuarial assumptions (expressed as weighted averages) | 2024 % | 2023 % | 2022 % |
|---|---|---|---|
| Discount rate | **5.50** | 4.75 | 5.00 |
| Future pension increases | **2.95** | 2.90 | 2.90 |
| Inflation assumption | **3.10** | 3.05 | 3.10 |

Weighted average life expectancies from age 65, as per mortality tables, used to determine benefits at 31 December 2024 and 31 December 2023 are:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Male (years) | Female (years) | Male (years) | Female (years) |
| Currently aged 65 | **21.9** | **23.8** | 22.0 | 23.8 |
| Non-retirees currently aged 45 | **22.9** | **25.1** | 22.9 | 25.1 |

The discount rate, inflation and pension increase and mortality assumptions have a significant effect on the amounts reported. Changes in these assumptions would have the following effects on the defined benefit scheme:

| | Pension liability £m | Pension cost £m |
|---|---|---|
| Increasing the discount rate by 0.25%, decreases pension liability and increases pension income/reduces pension cost by | **13.4** | **0.7** |
| Decreasing inflation by 0.25% (which reduces pension increases), decreases pension liability and increases pension income/reduces pension cost by | **12.0** | **0.7** |
| Increasing life expectancy by one year, increases pension liability and reduces pension income/increases pension cost by | **16.9** | **0.9** |

As highlighted in the table above, the defined benefit scheme exposes the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. The LDI portfolio is designed to respond to changes in gilt yields in a similar way to a fixed proportion of the liabilities. With the LDI portfolio, if gilt yields fall, the value of the investments will rise to help partially match the increase in the trustee valuation of the liabilities arising from a fall in the gilt yield-based discount rate. Similarly, if gilt yields rise, the value of the matching asset portfolio will fall, as will the valuation of the liabilities because of an increase in the discount rate. The leverage within the LDI portfolio means the equivalent of 95% of the value of the assets is sensitive to changes in interest rates and inflation and this mitigates the equivalent movement in the liabilities of the scheme as a whole.

In accordance with the pension regulations, a triennial actuarial review of the Costain defined benefit pension scheme was carried out as at 31 March 2022. In June 2023, the valuation and updated deficit recovery plan were agreed with the Scheme Trustee resulting in cash contributions of £3.3m for each year commencing 1 July 2023 (increasing annually with inflation) until the deficit is cleared, which would be in 2027, on the basis of the assumptions made in the 2022 valuation and agreed recovery plan. As at the annual review on 1 April 2024, the pension scheme had a surplus of 101%, on the technical provisions basis, resulting in the Company's contributions stopping from 1 July 2024 in accordance with the recovery plan. The next annual review will be on 1 April 2025.

The next triennial actuarial review will be carried out as at 31 March 2025 and completed by March 2026.

In addition, as previously implemented, the Group will continue to make an additional contribution so that the total deficit contributions match the total dividend amount paid by the Company each year, if required. As a result of the surplus at the annual review on 1 April 2024, 'dividend parity' was suspended for a year also. Any additional payments in this regard would have the effect of reducing the recovery period in the agreed plan. The Group will also pay the expenses of administration in the next financial year.

Any surplus of deficit contributions to the Costain Pension Scheme would be recoverable by way of a refund, as the Group has the unconditional right to any surplus once all the obligations of the Scheme have been settled. Accordingly, the Group does not expect to have to make provision for these additional contributions arising from this agreement in future financial statements.

In June 2023, the High Court judged in the Virgin Media vs NTL Pension Trustee case that certain amendments made to the NTL Pension Plan were invalid because the scheme's actuary had not provided the necessary confirmations ('Section 37 Certificates'). The High Court's decision has wider ranging implications, affecting other schemes (such as the Costain Pension Scheme) that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016.

The ruling was appealed and the case was heard by the Court of Appeal in June 2024. In July 2024, the case was upheld and the original judgement stands. There is still the potential for overriding government legislation to be introduced. As a result the Company and the Trustee of the Costain Pension Scheme cannot at this stage be certain of the potential implications (if any). The Company and the Trustee of the Costain Pension Scheme will continue to seek legal advice on the matter and act accordingly as the situation evolves.



### Defined contribution schemes

Two defined contribution pensions schemes are operated. The total expense relating to these plans was £12.9m (2023: £12.6m).

### Share-based payments

The Company operates a number of share-based payment plans as described below.

#### Long-Term Incentive Plan (LTIP)

Shareholders approved Long-Term Incentive Plans at the 2014 and 2023 AGMs that allow for conditional awards with a maximum face value of up to 150% of base salary to be awarded. The maximum Costain has applied is 100% of base salary. Performance conditions, such as those based on earnings per share and Total Shareholder Return (TSR), are determined by the Remuneration Committee at the time of grant.

#### Annual Incentive Plan (AIP)

Executive directors and other senior management are eligible to participate in the Company's Annual Incentive Plan, under which one third of the award is deferred into shares. The total AIP award of up to 150% of base salary has performance conditions based on Group 'adjusted operating profit' and other measures. Financial metrics will comprise at least 50% of AIP opportunity. The share award element vests on the second anniversary of the date of grant and will be satisfied by shares purchased by a trust on behalf of the Group. It will not lead to any dilution of shareholder interest. Participants must be in employment with the Company and not under notice of termination (either given or received) on the date of grant.

#### Save As You Earn Scheme (SAYE)

The Company operates a SAYE scheme that is open to all eligible employees who pay a fixed amount from salary into a savings account each month and elect to save over three years. At the end of the savings period, employees have six months in which to exercise their options using the funds saved together with any interest or bonus (after which the options expire). If employees decide not to exercise their options, they may withdraw the funds saved. Exercise of options is subject to continued employment within the Group (except where permitted by the rules of the scheme).

#### Share-based payment expense

The amount recognised in the income statement, before tax, for share-based payment transactions with employees was £2.3m (2023: £2.2m); the entire charge relates to subsidiaries.

## Notes to the Financial Statements continued

### 21 Employee benefits continued

### Share-based payments continued

#### Options outstanding at the end of the year

The movements in the outstanding LTIPs (nil-cost option) and AIP (nil-cost option), which provide for the grant of shares to executive directors and senior management, and the outstanding SAYE schemes, are shown below:

| | LTIP | AIP | SAYE | |
|---|---|---|---|---|
| | Number (m) | Number (m) | Number (m) | Weighted average exercise price (p) |
| Outstanding at 1 January 2023 | 12.5 | 2.3 | 0.8 | 118.4 |
| Forfeited during the year | (2.0) | (0.4) | (0.8) | 113.8 |
| Exercised during the year | (0.6) | – | – | – |
| Granted during the year | 3.7 | 1.5 | 4.9 | 50.0 |
| Outstanding at 31 December 2023 | 13.6 | 3.4 | 4.9 | 50.0 |
| Outstanding at 1 January 2024 | **13.6** | **3.4** | **4.9** | **50.0** |
| Forfeited during the year | **(1.4)** | **(0.1)** | **(0.4)** | **51.1** |
| Exercised during the year | **(0.7)** | **(1.9)** | **–** | **50.0** |
| Granted during the year | **3.0** | **1.5** | **4.0** | **81.2** |
| **Outstanding at 31 December 2024** | **14.5** | **2.9** | **8.5** | **64.8** |
| **Exercisable at the end of the period** | **2.0** | **–** | **–** | **–** |

Share options outstanding at the end of the year had a weighted average remaining contractual life of 5.8 years (2023: 4.9 years).

The fair value of options granted is calculated using the Black-Scholes option pricing model. The aggregate fair value of options granted during the year was £4.9m (2023: £4.8m). The assumptions used in valuing the grants were:

| | 2024 | 2023 |
|---|---|---|
| Expected volatility | **43.9%** | 46.0% |
| Expected life (years) | **3.5** | 3.5 |
| Risk-free interest rate | **3.9%** | 3.2% |
| Expected dividend yield | **1.2%** | 2.3% |

The expected volatility is based on the historical share price volatility over a term matching the expected life. The expected life is based on management's best estimate having regard to the effect of non-transferability, exercise restrictions and behavioural considerations.

### 22 Share capital

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Number (millions) | Nominal value £m | Number (millions) | Nominal value £m |
| **Issued share capital** | | | | |
| Shares in issue at beginning of year – ordinary shares of 50p each, fully paid | **276.7** | **138.3** | 275.1 | 137.5 |
| Issued in year (see below) | **1.8** | **0.9** | 1.6 | 0.8 |
| Nominal value reduction | **–** | **(136.4)** | – | – |
| Share buyback | **(9.7)** | **(0.1)** | – | – |
| Shares in issue at end of year – ordinary shares of one pence each (2023: 50p each), fully paid | **268.8** | **2.7** | 276.7 | 138.3 |

The Company's issued share capital comprised 268,766,087 ordinary shares of one pence each as at 31 December 2024 (2023: 276,718,885 ordinary shares of 50 pence each).

All shares rank pari passu regarding entitlement to capital and dividends.

The 2021 LTIP vested in the year and 1,630,000 shares were issued in April 2024 to satisfy this vesting.

A total of 136,152 shares were issued under the Scrip Dividend Scheme during 2024.

On 17 May 2024, the Company reduced the nominal value of its 278,348,885 ordinary shares in issue at that date from £0.50 to £0.01. The reduction was completed by subdividing each £0.50 ordinary share in issue into one ordinary share of £0.01 and one deferred share of £0.49. All deferred shares were then bought back for total aggregate consideration of £0.01 and cancelled on 20 May 2024. The Company's issued ordinary share capital remained unchanged immediately after the transaction and each shareholder's proportionate interest in the share capital of the Company remained unchanged. Aside from the change in nominal value, the rights attaching to the ordinary shares (including voting and dividend rights and rights on a return of capital) remained unchanged.

In August 2024, Costain announced an on-market share buyback programme. This programme was completed in November 2024 and resulted in the purchase of 9,718,950 Ordinary Shares in aggregate for cancellation.

The share options outstanding at the year-end are detailed in note 21. Details of the performance conditions and the options granted to executive directors are given in the Directors' Remuneration Report.

### 23 Contingent liabilities

### Group

#### Fire safety compliance claims

The Group ceased construction of residential buildings in 2013, which was never a major part of business operations. The Group has undertaken a review of its small number of legacy residential building constructions to identify where fire safety obligations could exist. The buildings, including the cladding works, were signed off by approved inspectors as compliant with the relevant building regulations at the time of completion.

In preparing the financial statements, where a probable rectification obligation related to fire safety compliance has been identified, costs to rectify have been estimated, and a provision has been made. No provision has been made where an obligation has not been established.

#### Virgin Media High Court Case

In June 2023, the High Court judged in the Virgin Media vs NTL Pension Trustee case that certain amendments made to the NTL Pension Plan were invalid because the scheme's actuary had not provided the necessary confirmations ('Section 37 Certificates'). The High Court's decision has wider ranging implications, affecting other schemes (such as the Costain Pension Scheme) that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016.

The ruling was appealed and the case was heard by the Court of Appeal in June 2024. In July 2024, the case was upheld and the original judgement stands. There is still the potential for overriding government legislation to be introduced. As a result the Company and the Trustee of the Costain Pension Scheme cannot at this stage be certain of the potential implications (if any). The Company and the Trustee of the Costain Pension Scheme will continue to seek legal advice on the matter and act accordingly as the situation evolves.

#### Guarantee contracts

Group bank borrowing facilities and bank and surety bonding facilities are supported by cross-guarantees given by the Company and participating companies in the Group.

There are contingent liabilities in respect of:

- performance bonds and other undertakings entered into in the ordinary course of business; and
- legal claims arising in the ordinary course of business.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided.

## Notes to the Financial Statements continued

### 23 Contingent liabilities continued

#### Company

The Company has guaranteed the obligations of the subsidiary companies that are participating employers of The Costain Pension Scheme, the defined benefit pension scheme in the UK. At 31 December 2024, the asset was £54.9m (2023: £53.5m) on an IAS 19 basis and is included in these financial statements as disclosed in note 21.

### 24 Subsidiary undertakings, joint ventures, associates and joint operations

| | Activity | Percentage of equity held | Registered office/principal place of business |
|---|---|---|---|
| *Principal subsidiary undertakings* | | | |
| Costain Limited | Engineering, Construction and Maintenance | 100 | (1) |
| Costain Engineering & Construction Limited | Holding and Service Company | 100 | (1) |
| Costain Integrated Services Limited | Professional Services | 100 | (1) |
| Costain Integrated Technology Solutions Limited | Technology Integration | 100 | (1) |
| Costain Oil, Gas & Process Limited | Process Engineering | 100 | (1) |
| Richard Costain Limited | Service Company | 100 | (1) |

| | Activity | Issued share capital £m | Percentage of equity held | Registered office/principal place of business | Reporting date |
|---|---|---|---|---|---|
| *Principal joint ventures* | | | | | |
| ABC Electrification Ltd | Rail Electrification | 19.6 | 33.3 | (6) | 31 March |
| 4Delivery Limited | Civil Engineering | – | 40 | (3) | 31 March |

The equity capital of the above are held by subsidiary undertakings with the exception of Richard Costain Limited and Costain Engineering & Construction Limited.

All undertakings operate mainly in the country of incorporation. See key to registered office/principal place of business at the bottom of this note.

All holdings are of ordinary shares.

| | Activity | Percentage interest | Country of business |
|---|---|---|---|
| *Major joint operations* | | | |
| A-one+ Joint Venture – ASC area 12 – Highways England | Engineering and Maintenance | 33.3 | UK |
| CH2M-Costain Joint Venture – Area 14 M&R contract | Engineering and Maintenance | 50 | UK |
| Costain-Atkins-Black & Veatch Joint Venture – Thames Water AMP6 | Engineering | 70 | UK |
| Costain-Galliford Try Joint Venture – M1 smart motorways | Civil Engineering | 50 | UK |
| Costain-MWH Joint Venture – Southern Water | Civil Engineering | 50 | UK |
| CVB Joint Venture – Thames Tideway Tunnel East | Civil Engineering | 40 | UK |
| Galliford-Costain-Atkins Joint Venture – United Utilities | Engineering | 42.5 | UK |
| Skanska-Costain-Strabag S1 Joint Venture – HS2 Main Works | Rail Engineering | 34 | UK |
| Skanska-Costain-Strabag S2 Joint Venture – HS2 Main Works | Rail Engineering | 34 | UK |
| The ASP Batch Joint Venture – Severn Trent – Large capital schemes outside AMP6 | Engineering | 33.3 | UK |

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries, associates, joint ventures and joint arrangements is required:

| | Status | Percentage of equity held | Registered office/principal place of business |
|---|---|---|---|
| *Other subsidiaries owned directly by Costain Group PLC* | | | |
| Costain Civil Engineering Limited | Holding Company | 100 | (1) |
| Costain Investments Limited | Dormant | 100 | (7) |
| Costain USA Inc. | Holding Company | 100 | (5) |
| County & District Properties Limited* | Trading | 100 | (1) |
| Renown Investments (Holdings) Limited* | Trading | 100 | (1) |
| Lysander Services Limited* | Trading | 100 | (1) |
| *Other subsidiaries owned indirectly by Costain Group PLC* | | | |
| Brunswick Infrastructure Services Limited | Dormant | 100 | (1) |
| Calvert & Russell Limited* | Trading | 100 | (1) |
| CLM Engineering (Overseas) Limited | Dormant | 100 | (1) |
| COGAP (Middle East) Limited* | Holding Company | 100 | (1) |
| Construction Study Centre Limited* | Trading | 100 | (1) |
| Costain Alcaidesa Limited* | Dormant | 100 | (1) |
| Costain America Inc. | Holding Company | 100 | (5) |
| Costain Building & Civil Engineering Limited* | Holding Company | 100 | (1) |
| Costain Construction Limited | Dormant | 100 | (1) |
| Costain de Venezuela CA | Dormant | 100 | (14) |
| Costain Energy Solutions Limited | Dormant | 100 | (1) |
| Costain Engineering & Construction (Overseas) Limited* | Holding Company | 100 | (1) |
| Costain Engineering Services Inc. | Dormant | 100 | (5) |
| Costain International Limited* | Dormant | 100 | (1) |
| Costain Management Design Limited | Dormant | 100 | (1) |
| Costain Minerals Inc. | Dormant | 100 | (5) |
| Costain Mining Services Inc. | Dormant | 100 | (5) |
| Costain Oil, Gas & Process (Nigeria) Limited | Dormant | 95 | (15) |
| Costain Oil, Gas & Process (Overseas) Limited | Dormant | 100 | (1) |
| Costain Process Construction Limited | Dormant | 100 | (1) |
| Costain Upstream Limited* | Trading | 100 | (2) |
| JBCC Rhead PTE Limited | Dissolved Nov 2024 | 100 | (11) |
| Promanex (Civils & Industrial Services) Limited | Dormant | 100 | (1) |
| Promanex (Construction & Maintenance Services) Limited | Dormant | 100 | (1) |
| Promanex (Total FM & Environmental Services) Limited* | Dormant | 100 | (1) |
| Sunland Mining Corporation (II) | Dormant | 100 | (5) |
| Westminster Plant Co. Limited | Dormant | 100 | (1) |

* Denotes that the entity has taken the audit exemption under Section 479A of the Companies Act 2006 for the financial year ended 31 December 2024.

## Notes to the Financial Statements continued

### 24 Subsidiary undertakings, joint ventures, associates and joint operations continued

| | Status | Percentage of equity held | Registered office/principal place of business |
|---|---|---|---|
| *Other joint ventures or associates owned indirectly by Costain Group PLC* | | | |
| ACM Health Solutions Limited | Dormant | 33.3 | (4) |
| Brighton & Hove 4Delivery Limited | Trading | 49 | (3) |
| Budimex & Costain SP ZO.O | Dormant | 50 | (13) |
| Costain Abu Dhabi Co WLL | Dormant | 49 | (8) |
| China Harbour-Costain Mexico S de RL de CV | Dormant | 50 | (12) |
| Jalal Costain WLL | Dormant | 49 | (9) |
| Nesma-Costain Process Co. Limited | Dormant | 50 | (10) |

| | Activity | Percentage interest | Country of business |
|---|---|---|---|
| *Other joint operations, including completed* | | | |
| ACTUS Joint Venture – Trawsfynydd nuclear power station active waste retrieval | Civil Engineering | 25 | UK |
| Alstom-Babcock-Costain Joint Venture – Edinburgh to Glasgow Rail Improvement Programme | Rail Engineering | 33.3 | UK |
| Alstom-Costain C644 Joint Venture – Traction power – Crossrail | Rail Engineering | 32.5 | UK |
| Alstom-Costain C650 Joint Venture – HV power supply – Crossrail | Rail Engineering | 32.5 | UK |
| Amec-Costain-Jacobs Joint Venture – Magnox ILW Management Programme | Civil Engineering | 33.3 | UK |
| A-one+ Integrated Highway Services – MAC 7 | Engineering and Maintenance | 33.3 | UK |
| A-one+ Integrated Highway Services – MAC 10 | Engineering and Maintenance | 25 | UK |
| A-one+ Integrated Highway Services – MAC 12 | Engineering and Maintenance | 33.3 | UK |
| A-one+ Integrated Highway Services – MAC 14 | Engineering and Maintenance | 33.3 | UK |
| A-one+ Joint Venture – ASC area 4 – Highways England | Engineering and Maintenance | 33.3 | UK |
| ATC Joint Venture – C610 – Crossrail | Rail Engineering | 32.5 | UK |
| ATC Joint Venture – C695 – Crossrail | Rail Engineering | 32.5 | UK |
| Balfour Beatty-BmJV-Carillion-Costain Joint Venture – National Major Projects – Highways England | Civil Engineering | 29 | UK |
| CosMott Joint Venture – Devonport Major Infrastructure Programme – Construction Delivery Partner | Consultancy | 50 | UK |
| Costain Arup Joint Venture – Yorkshire Water | Consultancy | 50 | UK |
| Costain-CH2M UK – ESCC JV – East Sussex highway maintenance | Engineering and Maintenance | 50 | UK |
| Costain-Dalekovod Joint Venture – National Grid HV Overhead Line System | Engineering | 60 | UK |
| Costain-Hochtief Joint Venture – Reading station | Civil Engineering | 50 | UK |
| Costain-Lafarge Joint Venture – East and South East Framework | Civil Engineering | 50 | UK |
| Costain-Lafarge Joint Venture – Midlands Framework | Civil Engineering | 50 | UK |
| Costain-Laing O'Rourke Joint Venture – Bond Street station | Civil Engineering | 50 | UK |
| Costain-Laing O'Rourke Joint Venture – Farringdon station | Civil Engineering | 50 | UK |

| | Activity | Percentage interest | Country of business |
|---|---|---|---|
| *Other joint operations, including completed continued* | | | |
| Costain-Skanska C336 Joint Venture – Paddington New Yard – Crossrail | Civil Engineering | 50 | UK |
| Costain-Skanska C360 Joint Venture – Eleanor Street – Crossrail | Civil Engineering | 50 | UK |
| Costain-Skanska C405 Joint Venture – Paddington – Crossrail | Civil Engineering | 50 | UK |
| Costain-Skanska C411 Joint Venture – Bond Street – Crossrail | Civil Engineering | 50 | UK |
| Costain-Skanska C412 Joint Venture – Bond Street – Crossrail | Civil Engineering | 50 | UK |
| Costain-Skanska – HS2 Enabling works | Civil Engineering | 50 | UK |
| Costain-Skanska Joint Venture – A14 Cambridge to Huntingdon Improvement Scheme | Civil Engineering | 50 | UK |
| Costain-Skanska Joint Venture – A14 Ellington to Fen Ditton | Civil Engineering | 50 | UK |
| Costain-Skanska Joint Venture – Balfour Beatty Joint Venture – A14 | Civil Engineering | 33.3 | UK |
| Costain-Skanska Joint Venture – Crossrail Civils Framework Enabling Works | Civil Engineering | 50 | UK |
| Costain-Skanska Joint Venture – NGT Tunnels, London | Civil Engineering | 52.6 | UK |
| Costain-Skanska Joint Venture – Paddington Station Bakerloo Line Link Project | Civil Engineering | 50 | UK |
| Costain-Taylor Woodrow Joint Venture – King's Cross re-development & Phase II Northern works | Civil Engineering | 50 | UK |
| Costain-Vinci Construction Joint Venture – Shieldhall | Civil Engineering | 50 | UK |
| Costain-Vinci Joint Venture – M4 corridor around Newport | Civil Engineering | 50 | UK |
| Costain-VWS Joint Venture – Mersey Valley Processing Centre (Shell Green) Extension Project Stage 2 | Engineering | 50 | UK |
| Educo UK Joint Venture – Bradford Schools | Building | 50 | UK |
| Lagan-Ferrovial-Costain – A8 | Civil Engineering | 45 | UK |
| The e5 Joint Alliance Severn Trent Framework | Engineering | 25 | UK |
| TSIF-ILW Joint Venture – Trawsfynydd nuclear power station decommissioning | Civil Engineering | 33.3 | UK |

## Key to registered office/principal place of business

| | |
|---|---|
| (1) | Seventh Floor, 70 St Mary Axe, London, EC3A 8BE, England |
| (2) | Neo House, Riverside, Aberdeen, AB11 7LH, Scotland |
| (3) | 210 Pentonville Road, London, N1 9JY, England |
| (4) | Booths Park, Chelford Road, Knutsford, WA16 8QZ, England |
| (5) | The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801 (New Castle County), USA |
| (6) | Alstom, Litchurch Lane, Derby, DE24 8AD, England |
| (7) | P.O.Box N-7768, Bank Lane, Nassau, Bahamas |
| (8) | Dormant company – Abu Dhabi, UAE, no record of address |
| (9) | Flat 33, Building 232, Road 18, Block 321, Manama, Bahrain |
| (10) | P.O.Box 6967, 21452, Jeddah, Saudi Arabia |
| (11) | Peninsula Plaza #27–01, 111 North Bridge Road, 179098, Singapore |
| (12) | Calle Delfines No. 268 – 2, Frac. Playa Ensenada, Ensenada, B.C., CP. 22880, Mexico |
| (13) | Marszałkowska 82, Warsaw, Mazowieckie, 00–517, Poland |
| (14) | Dormant company – Venezuela, no record of address |
| (15) | Dormant company – Nigeria, no record of address |

## Notes to the Financial Statements continued

### 25 Related party transactions

#### Group

Related party relationships exist with subsidiaries, joint ventures and associates, joint operations, The Costain Pension Scheme and with directors and executive officers.

#### Sales of goods and services

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Joint ventures and associates £m | Joint operations £m | Total £m | Joint ventures and associates £m | Joint operations £m | Total £m |
| Joint operations revenue | **–** | **545.2** | **545.2** | – | 564.6 | 564.6 |
| Services of Group employees | **–** | **86.7** | **86.7** | – | 98.4 | 98.3 |
| Construction services and materials | **–** | **18.4** | **18.4** | – | 20.9 | 20.9 |
| | **–** | **650.3** | **650.3** | – | 683.9 | 683.9 |

Balances with joint ventures and associates are disclosed in notes 16 and 19. Balances with joint operations are eliminated on consolidation.

#### The Costain Pension Scheme

Details of transactions between the Group and The Costain Pension Scheme are included in note 21.

#### Transactions with key management personnel

Disclosures related to the remuneration of key management personnel as defined in IAS 24, 'Related Party Disclosures' are given below. Key management personnel, as defined under IAS 24, 'Related Party Disclosures', have been identified as the Board, as the controls operated by the Group ensure that all key decisions are reserved for the Board.

As at 10 March 2025, the date of signing this report, the directors of the Company and their immediate relatives control 827,985 ordinary shares in Costain Group PLC, which expressed as a percentage of the issued share capital is 0.31% (2023: 0.14%).

As announced on 12 March 2024, Mr Bishoy Azmy stepped down from the Board as non-independent, non-executive director representative of the shareholder ASGC with effect from 31 March 2024. In September 2024, ASGC sold its total shareholding of 41,666,666 shares in the Group.

In addition to their salaries, in respect of the executive directors and executive officers, the Group provides non-cash benefits and contributes to defined contribution pension plans. Executive directors and executive officers also participate in the Group's LTIP, AIP and SAYE plans, which are detailed in note 21.

The compensation of key management personnel, including the directors, is as follows:

| | Group | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Directors' emoluments | **1.4** | 1.3 |
| Executive officers' emoluments | **2.2** | 2.0 |
| Post-employment benefits | **0.2** | 0.1 |
| Termination benefits | **–** | 0.2 |
| Share-based payments | **2.0** | 1.5 |
| | **5.8** | 5.1 |

The above amounts are included in employee benefit expense (note 6).

### 26 Prior year restatements

#### Gross up to other receivables and accruals

During the year, it was identified that £15.7m of accrued expenses and other receivables relating to one of our joint operations, as reported as at 31 December 2023 and disclosed in the 2023 financial statements, were incorrectly netted off. There is no net impact on the statement of financial position and no material impact on the profit and loss account or the statement of cash flows; however, the movements in receivables and payables have been restated in the statement of cash flows. The prior year statement of financial position has been restated and the impact of the restatement is as shown in the table below. At the opening balance sheet date of the earliest period presented, being 1 January 2023, the gross up was £11.4m.

| | As reported 2023 £m | As restated 2023 £m |
|---|---|---|
| Other receivables | 6.6 | 22.3 |
| Accruals and deferred income | 100.1 | 115.8 |

#### Gross up to contract assets and contract liabilities

During the year, it was identified that both contract assets and liabilities totalling £57.9m had been understated in the prior year. There is no net impact on the statement of financial position and no impact on the profit and loss account or the statement of cash flows; however, the movements in receivables and payables have been restated in the statement of cash flows. The prior year statement of financial position has been restated and the impact of the restatement is as shown in the table below. At the opening balance sheet date of the earliest period presented, being 1 January 2023, the gross up was £24.1m.

| | As reported 2023 £m | As restated 2023 £m |
|---|---|---|
| Contract assets | 26.9 | 84.8 |
| Contract liabilities | (5.1) | (63.0) |

#### Cash and cash equivalents – with restrictions

For the year ended 31 December 2024, the Group has changed the presentation of amounts held in trust bank accounts on behalf of certain customers and designated for future payment to suppliers. These were previously recognised in the Group's balance sheet as a trade receivable from the customer depicting that the cash is held in trust for the customer and does not represent the Group's cash. In 2024, the Group has re-presented these accounts as 'cash and cash equivalents – with restrictions' and restated the comparative at 31 December 2023 resulting in no net impact on the statement of financial position. There is no impact on the profit and loss account. The statement of cash flows has been restated to include these amounts and the in year movements thereon including a restatement to the movements in receivables. The opening cash balance as at 1 January 2023 has also been restated in the statement of cash flows. The impact of the restatement is as shown in the table below.

| | As reported 2023 £m | As restated 2023 £m |
|---|---|---|
| Cash and cash equivalents – with restrictions at 1 January | – | 10.3 |
| Cash and cash equivalents – with restrictions at 31 December | – | 24.4 |
| Trade receivables | 92.5 | 68.1 |

### 27 Events after the reporting date

There are no events after the reporting date.

## Five-Year Financial Summary

| | 2024 £m | 2023 £m | 2022 £m | 2021 £m | 2020 £m |
|---|---|---|---|---|---|
| **Revenue and profit** | | | | | |
| **Revenue** | **1,251.1** | 1,332.0 | 1,421.4 | 1,135.2 | 978.4 |
| **Contract adjustments** | **–** | – | – | 43.4 | 92.1 |
| Adjusted revenue | **1,251.1** | 1,332.0 | 1,421.4 | 1,178.6 | 1,070.5 |
| Adjusted operating profit | **43.1** | 40.1 | 36.3 | 30.1 | 18.0 |
| Adjusting items – contract adjustments | **–** | – | – | (39.2) | (99.7) |
| Adjusting items – other | **(12.0)** | (13.3) | (1.4) | (0.4) | (10.3) |
| Operating profit/(loss) | **31.1** | 26.8 | 34.9 | (9.5) | (92.0) |
| Share of results of joint ventures and associates | **–** | – | – | – | 0.2 |
| **Profit/(loss) from operations** | **31.1** | 26.8 | 34.9 | (9.5) | (91.8) |
| Finance income | **9.3** | 8.0 | 1.8 | 0.1 | 0.8 |
| Finance expense | **(3.9)** | (3.9) | (3.9) | (3.9) | (5.1) |
| **Net finance income/(expense)** | **5.4** | 4.1 | (2.1) | (3.8) | (4.3) |
| **Profit/(loss) before tax** | **36.5** | 30.9 | 32.8 | (13.3) | (96.1) |
| Taxation | **(5.9)** | (8.8) | (6.9) | 7.5 | 18.1 |
| **Profit/(loss) for the year attributable to equity holders of the Parent** | **30.6** | 22.1 | 25.9 | (5.8) | (78.0) |
| Earnings/(loss) per share – basic | **11.3p** | 8.1p | 9.4p | (2.1)p | (36.7)p |
| Earnings/(loss) per share – diluted | **11.1p** | 7.8p | 9.4p | (2.1)p | (36.7)p |
| **Dividends per ordinary share** | | | | | |
| Final | **2.0p** | 0.8p | – | – | – |
| Interim | **0.4p** | 0.4p | – | – | – |
| **Summarised consolidated statement of financial position** | | | | | |
| Intangible assets | **51.2** | 45.7 | 52.2 | 52.5 | 52.1 |
| Property, plant and equipment | **35.3** | 26.8 | 32.0 | 32.0 | 39.9 |
| Investments in and loans to equity accounted joint ventures and associates | **0.4** | 0.4 | 0.4 | 0.4 | 0.4 |
| Retirement benefit asset | **54.9** | 53.5 | 60.2 | 67.1 | – |
| Other non-current assets | **12.9** | 17.7 | 22.0 | 20.9 | 27.1 |
| Total non-current assets | **154.7** | 144.1 | 166.8 | 172.9 | 119.5 |
| Current assets (as restated)* | **392.5** | 398.1 | 320.8 | 359.5 | 370.4 |
| **Total assets** (as restated)* | **547.2** | 542.2 | 487.6 | 532.4 | 489.9 |
| Current liabilities (as restated)* | **296.9** | 306.6 | 253.1 | 281.4 | 266.3 |
| Retirement benefit obligations | **–** | – | – | – | 5.6 |
| Other non-current liabilities | **14.6** | 16.2 | 23.3 | 52.0 | 61.5 |
| **Total liabilities** (as restated)* | **311.5** | 322.8 | 276.4 | 333.4 | 333.4 |
| **Equity attributable to equity holders of the Parent** | **235.7** | 219.4 | 211.2 | 199.0 | 156.5 |

* See note 26 for more information on restatements.



## Financial Calendar and Other Shareholder Information

### Financial calendar[1]

| | |
|---|---|
| Full-year results 2024 | 11 March 2025 |
| Annual General Meeting | 15 May 2025 |
| Final Dividend payment date[2] | 29 May 2025 |
| Half-year end 2025 | 30 June 2025 |
| Half-year results 2025 | 20 August 2025 |
| Financial year-end 2025 | 31 December 2025 |

1 The financial calendar may be updated from time to time throughout the year. Please refer to the Investors section of our website at www.costain.com for up-to-date details.
2 Subject to shareholder approval at the Annual General Meeting to be held on 15 May 2025.

### Scrip dividend scheme

Subject to shareholder approval of the final dividend and renewal of the scrip dividend scheme at the 2025 Annual General Meeting, a scrip dividend scheme will be offered in respect of the final dividend. Those shareholders who have already elected to join the scheme will automatically have their dividend sent to them in this form.

Shareholders wishing to join the scheme for all future dividends should return a completed mandate form to the Registrar, EQ. Copies of the mandate form and the scrip dividend brochure can be downloaded from the Company's website at www.costain.com or obtained from EQ by telephoning +44 (0)371 384 2268* (please use the country code if calling from outside the UK).

### Dividend mandate

Shareholders can arrange to have their dividends paid directly into their bank or building society account, by completing a bank mandate form. The advantages of using this service are:

- the payment is more secure as you can avoid the risk of cheques becoming lost in the post;
- it avoids paying in a cheque; and
- there is no risk of stolen or out-of-date cheques.

A mandate form can be obtained from the Company's website, or by contacting EQ on +44 (0)371 384 2250* (please use the country code if calling from outside the UK) and can also be obtained via the shareholder website at www.shareview.co.uk (see overleaf for further details). Overseas shareholders can arrange for their dividends to be paid in their local currency and more information can be obtained from www.shareview.co.uk/overseas.

### Analysis of shareholders
as at 6 March 2025

| | Total number of holdings | Percentage of holders | Total number of shares | Percentage of issued capital |
|---|---|---|---|---|
| Shareholdings 100,000 and more | 161 | 2.11 | 258,648,363 | 96.24 |
| Shareholdings 50,000–99,999 | 44 | 0.58 | 3,131,886 | 1.17 |
| Shareholdings 25,000–49,999 | 42 | 0.55 | 1,415,949 | 0.53 |
| Shareholdings 5,000–24,999 | 296 | 3.87 | 3,045,691 | 1.13 |
| Shareholdings 1–4,999 | 7,102 | 92.90 | 2,524,198 | 0.94 |
| **Totals** | **7,645** | **100** | **268,766,087** | **100** |

### Secretary

Nicole Geoghegan

### Registered Office

Seventh Floor, 70 St Mary Axe, London, EC3A 8BE, United Kingdom

Telephone 020 3922 0600

www.costain.com

Company Number 1393773

* Lines are open Monday to Friday 08.30am to 5.30pm, excluding public holidays in England and Wales.

## Financial Calendar and Other Shareholder Information continued

### Registrar

EQ, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Telephone +44 (0)371 384 2250* (please use the country code if calling from outside the UK).

### Website

www.shareview.co.uk

### Shareview service

The Shareview service from our registrar, EQ, allows shareholders to manage their shareholding online, giving:

- direct access to data held on their behalf on the share register including recent share movements, indicative valuations and dividend details; and
- the ability to change their address or dividend payment instructions online.

To sign up for Shareview you need the Shareholder Reference Number printed on your notice of availability, proxy form or dividend stationery. There is no charge to register.

When you register with the site, at www.shareview.co.uk, you can register your preferred format (post or email) for shareholder communications. If you select email as your mailing preference, you will be notified of various shareholder communications, such as annual results, by email instead of post.

When dividends are paid, if you have them paid straight to your bank account, and you have selected email as your mailing preference, you can also collect your 'dividend tax confirmation' electronically. Instead of receiving the paper 'dividend tax confirmation', you will be contacted by email with details of how to download your electronic version. Visit the website at www.shareview.co.uk for more details.

Details of software and equipment requirements are given on the website.

### Bereavement services

In the event of the death of a shareholder the next of kin or administrator of the estate should contact our registrar, EQ. EQ have a Designated Bereavement Services Helpline on +44 (0)371 384 2793* (please use the country code if calling from outside the UK).

You will be asked to supply a certified copy or the original of the death certificate, together with an appropriate authority to deal with the estate, such as a Grant of Probate.

Further information is available on www.shareview.co.uk

### Unsolicited mail

The Company is legally obliged to make its share register available to the general public. Consequently, some shareholders may receive unsolicited mail, including correspondence from unauthorised investment firms. Shareholders who wish to limit the amount of unsolicited mail they receive can contact The Mailing Preference Service at www.mpsonline.org.uk or on 0207 291 3310.

Further guidance can also be found on the Company's website at www.costain.com

### ShareGift

The Orr Mackintosh Foundation (ShareGift – Registered Charity No. 1052686) operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomical to sell them. Details of the scheme are available on the ShareGift website at www.sharegift.org. EQ can provide stock transfer forms on request. Donating shares to charity in this way gives rise neither to a gain nor a loss for Capital Gains Tax purposes and the service is free of charge.

### Website

The Company's website at www.costain.com provides information about the Group including its strategy and recent news. The 'Investors' section is a key source of information for shareholders, containing details of financial results, shareholder meetings and dividends. Current and past annual reports are also available to view and download.

* Lines are open Monday to Friday 08.30am to 5.30pm, excluding public holidays in England and Wales.



## Notes

Notes continued

## Contact us

We are committed to engaging in dialogue with all our stakeholders.

For investor relations enquiries, please contact: ir@costain.com

For media enquiries, please contact: mediaenquiries@costain.com

## Accreditations

| | |
|---|---|
| ISO 9001 | Quality Management System. |
| ISO 14001 | Environmental Management. |
| ISO 45001 | Occupational Health and Safety. |
| ISO 27001 | Information Security Management. |
| ISO 22301 | Business Continuity Management. |
| ISO 44001 | Collaborative Business Relationships. |
| ISO 20000-1 | IT Service Management. |
| PAS 2080 | Carbon Management in Infrastructure. |
| TickITplus | Systems and Software Development and Support. |

MIX Paper | Supporting responsible forestry FSC™ C014531

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The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land. Through protecting standing forests, under threat of clearance, carbon is locked-in, that would otherwise be released.

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Visit us at emperor.works

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costain.com/investors