

**COSTAIN**



## Modern slavery statement 2022

Improving people's lives.

**This statement has been published in accordance with Section 54(1) of the Modern Slavery Act 2015. It sets out the steps that Costain has taken and continue to take as a business during year ending 31 December 2022 to prevent slavery and human trafficking taking place in any part of its business, or that of its supply chain. This statement is made on behalf of Costain Group PLC and Costain Limited as the only subsidiary required to make such a statement in accordance with the Act.**

## Introduction

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.

The combination of Brexit and COVID-19 led to extensive material and labour shortages in 2021, which were further amplified throughout 2022 due to the Ukraine conflict and the subsequent cost-of-living crisis. Due to an accumulation of these factors there is an even bigger need to recruit workers to meet the required outputs as investment in infrastructure continues to be prioritised. These societal issues present a challenge, so we must remain vigilant to the risks of modern slavery and work together with the industry to prevent this occurring within our supply chain.

Costain is committed to prioritising the safety of the public and our workforce while ensuring that our business and those businesses within our supply chains worldwide, work to our high ethical standards. A key part of this is understanding and minimising the risk of modern slavery to our business and working in collaboration with other organisations and industries to tackle the wider societal issue of modern slavery and human trafficking. We remain dedicated to tackling Modern Slavery through our policies, practices, audits, training, and on-going reviews.

## Organisation structure and supply chains

Costain is a UK based organisation, with 3,500 direct employees and a further 14,000 colleagues working in our supply chain on sites across the UK.

Costain focuses on delivering engineering solutions that are sustainable, efficient, and practical while delivering projects in a safer, greener, faster, and more efficient way. To achieve this, our business model relies on maintaining a specialist supply chain of circa 4,000 companies, who we spend over £1 billion with annually. 96% of our direct spend is with UK registered companies.

- 77 strategic supply chain partners
- 202 preferred supply chain partners
- 3,999 verified suppliers
- 38% of our spend is with small and medium enterprises (SMEs)

The Board have overall accountability for ESG related matters. The Executive Board are responsible for ensuring that policies and strategies are aligned with our wider business objectives. The Board annually approves our ESG priorities and holds the Executive Board accountable for their performance.

Our modern slavery working group (MSWG) is responsible for the day-to-day tactical approach of monitoring and mitigating modern slavery risk and is chaired by James York, corporate responsibility and security director. The MSWG meets quarterly reporting progress to Catherine Warbrick, chief people and sustainability officer.

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

During the year we outsourced our internal audit function to ensure we had access to the depth and breadth of resources required to effectively audit our work. We also appointed a new risk & assurance director and a new, dedicated, specialist fraud investigator, demonstrating our commitment to effective risk management. Audit reports are shared with the relevant business owners to implement appropriate measures to address any risks or controls weaknesses.

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

## Policies

We annually review our policies which are available on [www.costain.com](http://www.costain.com) so that our stakeholders have easy access to them. We also host on our website a supplier code of conduct, which sets out in more detail the specific requirements of doing business with Costain.

Each Costain policy has a specific director level owner, and all set out how we expect our people, partners, and suppliers to behave and operate when representing Costain. Of our nineteen policies, several are relevant to modern slavery and/ or ethical labour matters.

In 2022 our modern slavery policy was updated, removing the statement of ‘Zero-tolerance approach’. We removed this statement following stakeholder feedback to ensure we were not unintentionally discouraging supplier colleagues from reporting instances of modern slavery or unethical practice.

Costain’s modern slavery policy is owned by Catherine Warbrick, chief people and sustainability officer.

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

The relevant Costain policies and procedures for responsible business:

Policies, procedures and contractual terms	Scope and relevance to modern slavery and ethical labour practices
<b>Board diversity and inclusion policy</b>	This policy sets out the chair and Board of directors’ commitment to maintaining a diverse and inclusive Board. Leading by example and setting expectation that the Group operates inclusively and continues to invest in diversity. The owner of this policy is the chair.
<b>Social value policy</b>	Costain’s social value policy provides alignment with the UK Government’s social value model, which has a priority theme related to tackling work inequality. The Executive Board sponsor for this policy is the chief people and sustainability officer
<b>People policy</b>	The Costain people policy encompasses recruitment, development, reward, equality and diversity, health and wellbeing, compliance with labour/employment and data protection laws and regulations wherever we work. The Executive board sponsor for this policy is the chief people and sustainability officer
<b>Ethical business conduct policy</b>	Bribery prevention; Fair and open competition; Insider dealing prevention; Fraud prevention; Whistleblowing are all covered by the Costain Ethical business conduct policy. The Executive board sponsor for this policy is the general counsel & company secretary
<b>Modern Slavery and Human Trafficking policy</b>	The Costain Modern Slavery and Human Trafficking policy specifies the mandatory conditions of employment and contractual conditions for our suppliers. The Executive board sponsor for this policy is the chief people and sustainability officer
<b>Sustainable procurement and supply chain policy</b>	The Costain Sustainable procurement and supply chain policy stipulates the conditions of all procurement activity, aligning outcomes to our responsible business commitment and strategy. The Executive board sponsor for this policy is the chief financial officer
<b>Supplier code of conduct</b>	Our code of conduct for suppliers sets out Costain’s expectations for anyone working in contract with us. This includes matters such as health and safety, employee wellbeing, ethics and fair working conditions.
<b>Standard contract clauses</b>	Clauses on employment, health and safety, human rights and modern slavery are included as standard in all our contracts with suppliers. The clauses cover obligations on human rights and specifically on the prevention of modern slavery. The clauses include: right to audit; non-UK companies to act in accordance with UK law, even outside of the UK; the requirement to maintain policies and procedures; right to work checks; and the keeping of employment records.

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

### Working with our supply chain

Maintaining a high calibre supply chain is crucial to Costain for the reduction of risk and development of high performing strategic relationships. Our supply chain consists of circa 4,000 companies, 2,000 of which provide operational goods and services. These companies are classified as strategic, preferred, and verified suppliers to Costain.

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

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

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

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

### Raising awareness

Increasing awareness is an anti-slavery action that our business takes to help educate our colleagues and those in our supply chain. We mandate our modern slavery and sustainable procurement modules to relevant job families and all Costain employees are required to complete our annual code of conduct training, setting out the Board’s expectations and the legal responsibilities of everyone working at Costain.

### Our performance in 2022

We are committed to protecting workers from exploitation and we are pleased to report that in 2022 there have been zero recorded incidents of modern slavery reported through our whistleblowing helpline or via our supply chain. However, we remain vigilant and pragmatic that unethical labour practices will always be a risk within our workforce and/or supply chain due to the breadth and depth of services and goods that we procure.

Playing an active role in industry groups is essential to keep abreast of trends and best practice solutions to mitigate risk. Our supply chain managers are members of the Supply chain sustainability school’s labour group and the RSSB modern slavery working group. These groups ensure we recognise and adopt best practice approaches on how to identify potential victims and what to do about it.

All Costain strategic labour supply companies are active signatories to the Gangmasters & Labour Abuse Authority’s Construction Protocol and to the Supply Chain Sustainability School’s People Matter Charter. We believe that a collaborative approach to managing labour standards is the right way.

Following targeted action, all Costain employees since April 2022 are paid at least the Real Living Wage (including where relevant the London Living Wage). We have written into our standard contract terms that sub-contractors are required to employ all people working on Costain contracts as PAYE employees and at wages no less favourable than those laid out by the Construction Industry Joint

Council for the Building Industry, the Civil Engineering Contractors Association or the recognised wage-fixing body which is applicable to the works. These rates are regularly reviewed and as a minimum are in line with Real Living Wage.

KPI's	2022	2021	2020	2019	2018
Number of modern slavery issues reported through our whistleblowing helpline	0	0	0	0	0
Strategic partners publishing modern slavery statements	100%	100%	100%	100%	Not measured
Modern slavery awareness training compliance for our people	90%	91%	89%	88%	87%

We continued to implement our Prompt Payment Code action plan to maintain our payment to further improve our payment efficiency for suppliers. We monitor performance monthly and have been working with our project teams to improve processing performance. The number of invoices being processed by robot process has increased across the year, giving our accounts teams more time to focus on invoice irregularities.

### Our performance in 2022

KPI's		31 Dec' 2022	30 Jun' 2022	31 Dec' 2021	30 Jun' 2021	31 Dec' 2020	30 Jun' 2020	31 Dec' 2019	30 Jun' 2019
Prompt payment code compliance	95% of all invoices within 60 days	98%	98%	97%	95%	91%	90%	93%	84%
	95% of invoices paid within terms	91%	87%	87%	81%	74%	68%	72%	61%
	95% of invoices from businesses with fewer than 50 employees within 30 days	86%	80%	84%	N/A	N/A	N/A	N/A	N/A

### Looking Ahead to 2023

Costain is committed to continuous improvement, and we will review, monitor and, where necessary, enhance our modern slavery standards, policies and procedures. We will continue to deliver modern slavery awareness training and code of conduct training.

We will also be establishing our labour desk to help manage our strategic labour suppliers, creating a strategic plan for recruitment to meet future labour needs. The labour desk will enable greater levels of assurance for labour suppliers.

This statement covers the period 1 January 2022 to 31 December 2022 and has been approved by the Board of directors of Costain Group PLC.

Alex Vaughan  
Chief Executive Officer

March 2023