

COSTAIN

Gender pay gap

REPORT 2018



Improving people's lives, working well together



In 2018, Costain published its first gender pay gap report in line with statutory reporting requirements, revealing a 24.69% (median) gender pay gap in hourly pay between men and women. Over the past year we have worked hard to reduce this gap, taking affirmative action to attract more women into Costain at all levels, helping women progress their careers and assessing employee reward.

We have seen encouraging progress in addressing our gender balance with our senior female population growing from 12% to 22% over the last four years and in 2018 for the first time over 50% of our new graduates are female. I am delighted to report that as of 1 January 2019 the gender balance on our executive board increased to 33% up from 20% in 2015. Women make up 24% of our employee population, increasing by 2% in the past two years.

Whilst our progress is positive, we know that there is still considerable work to do to close our gender pay gap, which this year has reduced to 24.25% (median).

We are absolutely committed to closing our gender pay gap and creating a truly diverse team, as this makes us a better business.

I confirm that the gender pay gap data contained in this report for Costain Group PLC companies is accurate and has been produced in accordance with the ACAS guidance on managing gender pay.

Andrew Wyllie CBE
Chief Executive



At Costain there are two employing entities required to publish gender pay gap data and they are detailed on page 11. We have also taken the opportunity to voluntarily publish the consolidated data for Costain in the UK.

The figures quoted in this report are for all Costain Group companies as at 5 April 2018 and the bonus gap in the 12-month reference period to April 2018, ie. for the 2017 performance year.

What do we mean by

GENDER PAY — GAP?



The gender pay gap is a measure designed to show the difference between the gross hourly earnings for all men in an organisation and the gross hourly earnings for all women. This is different to equal pay, which compares pay for men and women doing the same work.

Our gender pay gap

The difference in hourly pay between men and women at Costain is:

OVERALL PAY GAP	2018	2017*
% MEDIAN	24.25	24.69
% MEAN	22.05	22.89

*Note of correction from 2017

During the year we have refined the calculation of ordinary pay to ensure the correct treatment of salary sacrifice deductions for childcare vouchers, as a result we have restated our 2017 gender pay gap figures within this report. The refined calculations represent slight changes to the Costain Group, Costain Engineering and Construction and Costain Limited's gender pay gaps.

What's included in our hourly pay?

Hourly pay includes basic pay, car allowances, shift pay, on-call and stand-by allowances. Excluded are payments for overtime, redundancy and benefits-in-kind along with employees on family or sick leave.

What is the mean?

The mean average involves adding up all the numbers and dividing the result by the number of values in the list. We calculate the mean average for both men's and women's hourly pay and report the percentage difference.

What is the median?

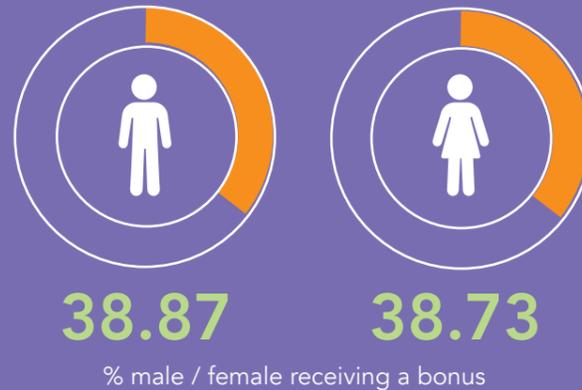
The median involves listing all the numbers in numerical order. The median is the middle number. We calculate the median for both men's and women's hourly pay and report the percentage difference.

Our bonus gap

Our Bonus Gap

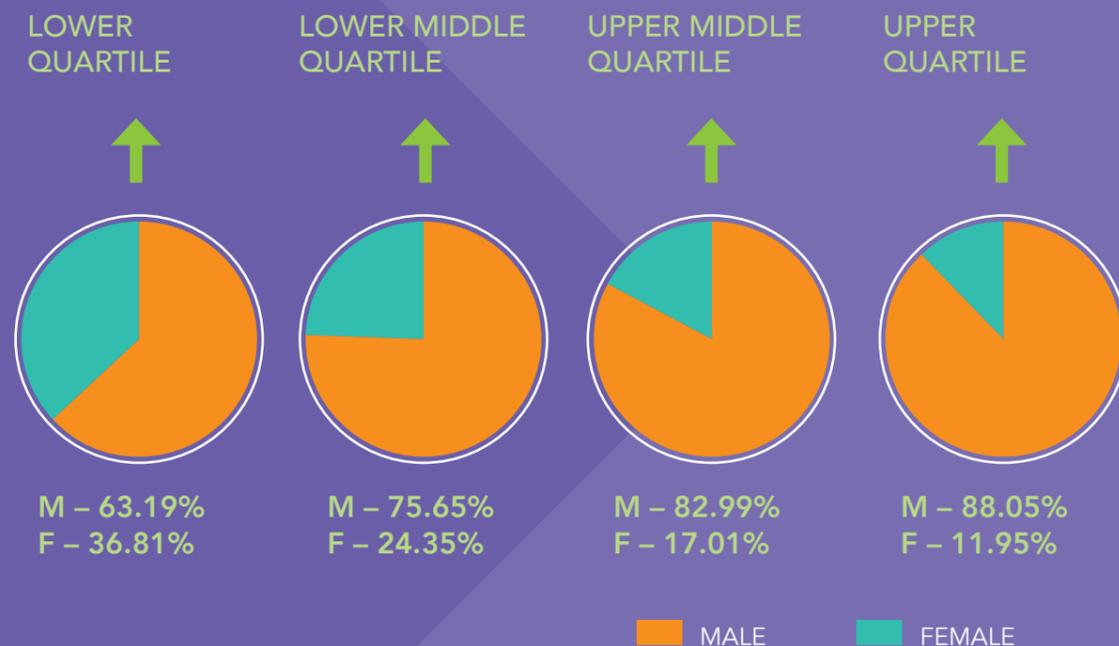
The difference in annual bonus pay between men and women is:

BONUS GAP	
% MEDIAN	43.75
% MEAN	51.99



Our pay quartiles

The graphic below illustrates the gender distribution at Costain across four equally sized quartiles from lowest to highest.



Costain Group's median gender pay gap has reduced since 2017 by 0.44%. During the same period the total number of women in the organisation increased to 24%; whilst this represents good progress we know we have more to do before we reach an equally balanced population.

In 2018 we increased the number of women in all pay quartiles, however we still have more women in our lower pay quartile than there are in both the upper middle and the upper quartiles combined. This gender imbalance continues to significantly contribute to our current gender pay gap.

Our senior leadership population has increased to 22% over the past three years, however it represents a relatively small group, and our upper quartile is only 12% female. The 1% increase of women in our upper quartile from 2017 has contributed to our slight overall gender pay gap reduction.

The under representation of women in senior management roles remains the major contributory factor to our current pay gap. We have worked hard to attract women into the industry, however the majority of new female entrants to the industry are at a junior level. The lower and lower middle quartile female populations grew by 2% when compared to 2017. While the increase of women can be seen as positive for balancing our overall gender mix, it does also have an impact on our gender pay gap.

In 2018, we saw an increase in both men and women receiving a bonus payment. This is a reflection of the success of the business and individuals' performance. Encouragingly there has been an 8% increase in women receiving a bonus, meaning that the percentage of men and women receiving bonuses were broadly equal. There is however a 43.75% median bonus pay gap of men and women reflecting the unequal distribution of men in senior management roles (receiving proportionately larger bonuses).

HIGHLIGHTS

- We were delighted to be named a Times Top 50 employer for women in 2018 in recognition of the positive work that we are doing to champion gender equality and demonstrating our commitment to be an inclusive company.
- In 2018, 52% of our apprentice and graduate recruits were female, demonstrating a significant increase from all past intakes.
- Our senior leadership population grew to 22% female, increasing from 12% over the last four years.
- As of 1 January 2019 the gender balance on our executive board increased to 33% up from 20% in 2015.
- Women make up 24% of our employee population, increasing by 2% in the past two years.
- Over the last four years, the percentage of women on our PLC board has increased from 20% to 43% meaning we have met the Hampton-Alexander Review target of 33% women on our board.



Actions taken

to reduce our gender pay gap

There are several actions that we are taking to improve our gender balance, which we believe will help close our gender pay gap.

Role models and leadership

- We are celebrating female role models within Costain by creating targeted internal communications to raise the profiles of women in the business. Supported by our gender network, these campaigns aim to raise awareness of the specific challenges that women face in the workplace. Externally, our role models attend industry, careers and media events to help to promote and encourage women of all ages into our industry.
- All Costain executive board members mentor three female colleagues, to help them navigate through their careers.
- It is mandatory that all line managers complete unconscious bias training. Since the initiative started in 2016, over 4,000 employees (1,000 managers) have completed the training. The training is also available to our supply chain partners and clients.
- In 2018 we hosted our first gender network event. 50 female colleagues and their line managers were invited to join in discussions with the senior leadership team to understand the challenges we face in attracting, developing and retaining female talent.

- We launched our line managers toolkit which is a suite of training modules aimed at up-skilling line managers. It provides guidance in areas such as how to recruit, manage and lead teams, with inclusion threaded throughout. The programme is mandatory for all new line managers and has seen 240 training days completed to-date. Manager training is monitored at board level and clear targets for attendance are set.

Recruitment

- To attract a more gender balanced response to our job advertisements, we have removed the "essential" and "desirable" criteria from our adverts. We now focus on finding out about individuals rather than stating prerequisite 'you will need to have' criteria. We have made significant changes to our graduate recruitment process, de-personalising CV's and opening the programme to graduates of non-traditional engineering subjects. We expanded our pool of feeder universities to improve the diversity mix of candidates that apply. Despite the significant number of applications received annually, we contact all female graduates, including those unsuccessful, to share feedback.

- We have seen significant positive impact recruiting from a wider range of universities. In 2018, 55% of graduates were female and 30% BAME. In 2017 there were no female applications for graduate quantity surveyor roles, in 2018 over 50% of our graduate quantity surveyors were female. For senior experienced hires and experienced hires, we aim to have a minimum of two females on each short-list. 40% of 'key hires' (roles of strategic importance) in 2018 were filled by women.
- Final year under-graduates were invited to a 'Future Female' career event to meet women from across the company who perform a variety of roles, from apprentices and graduates to board members. 60 young people attended the event at the London Transport museum. Following this event, 30% of attendees applied for a graduate position, with eight candidates successfully gaining a place on our graduate programme.

Progression and promotion

- We recognise that women are not progressing at the same rate as the men within the organisation. To address this we have put various programmes in place including a role models campaign, a mentoring programme and new governance for promotions. Development plans were created for over 50 of our high potential females which identified targeted training, mentoring and managed job rotation to encourage individuals to realise their full potential.
- We complete company wide talent reviews to look at individuals' current performance and their potential and desire to progress to senior levels within the business. Focus is made on identifying high potential female colleagues. In February 2018, our high potential females attended our first 'Women in leadership' networking event. It provided the opportunity to meet inspirational female role models and share their thoughts on how to continue to drive the equality and diversity agenda.
- We hold workshops for female applicants who are unsuccessful in gaining places on our leadership programmes. The career accelerator masterclasses aim to equip these women with the skills needed to be successful in the next round of applications, as well as understanding their own strengths and weaknesses and how they could overcome the barriers to their progression – whether they are perceived or actual. The sessions provide opportunities to network with other women at a similar level within the business.
- We have worked hard to increase the number of women applying and securing places on our leadership programme and in 2018, 33% of successful candidates were female. The programme aims to support our future business leaders and encourages our senior female population to progress within the organisation through mentoring

and targeted development.

Supporting flexible working

- Currently 36% of employees work flexibly. Female employees told us via the 2018 engagement survey that 75% felt that they could balance their work with their home-life. This is a 7% increase from the same question in 2016. We also understand that encouraging men to assume more family responsibilities is important and we have promoted the BITC equal lives campaign and championed flexible working with all our employees. We have seen encouraging behavioural changes, with 71% of men agreeing that they could balance their work with their home-life, an increase of 24% since 2016.
- We have made significant investments in our IT to help aid flexible working. We promote the benefits of using technology and encourage employees to use it wherever possible. As a result we saw a 21% increase in minutes spent using video conferencing between 2016 and 2017.
- Our line manager toolkit promotes the benefits of working flexibly and provides guidance in relation to managing flexible working, sharing and time off for life events.
- In 2018 our chief financial officer launched our Wellbeing Strategy to create a healthy and positive working environment. Major themes included focussing on fatigue, agile working and leadership. We promoted case studies of employees (men and women) working flexibly across the business.

Supporting parents

- We responded to employee feedback by revising our Maternity Pay Policy. In addition to the 10 weeks' full basic maternity pay that our new mums currently receive during maternity leave, they have an option to take a further period of leave on enhanced pay, choosing either an additional eight weeks at full pay or 16 weeks at half pay. These additional maternity pay benefits give our new mums additional income when they have told us they need it most, offering the flexibility to maintain an enhanced income throughout the entire period of ordinary maternity leave, should they wish to do so.
- Our line manager toolkit provides advice to line managers on managing pregnant employees and how to ensure a smooth return to work. Further advice is also provided via our parent and carers network.

We have taken positive action to reduce our gender pay gap and we remain motivated to continue our progress. We know that it will take time to close our gender pay gap and that there is a risk that it may increase as we strive to attract more women into Costain, particularly in junior roles. A focus of our learning and development department is to help female colleagues of all levels progress their careers, helping to contribute to an increase of women in senior leadership positions.

STATUTORY DISCLOSURE

The Costain Group at the time of reporting employs 3,715 employees. Within the Group there are two companies that employ more than 250 people as at 5 April 2018 and are therefore required to report their gender pay gaps. This is set out on the right:

Costain Engineering and Construction Limited	OVERALL PAY GAP			*Restated 2017 figures
		2018	2017*	
	% MEDIAN	26.97	27.52	
% MEAN	25.39	27.10		

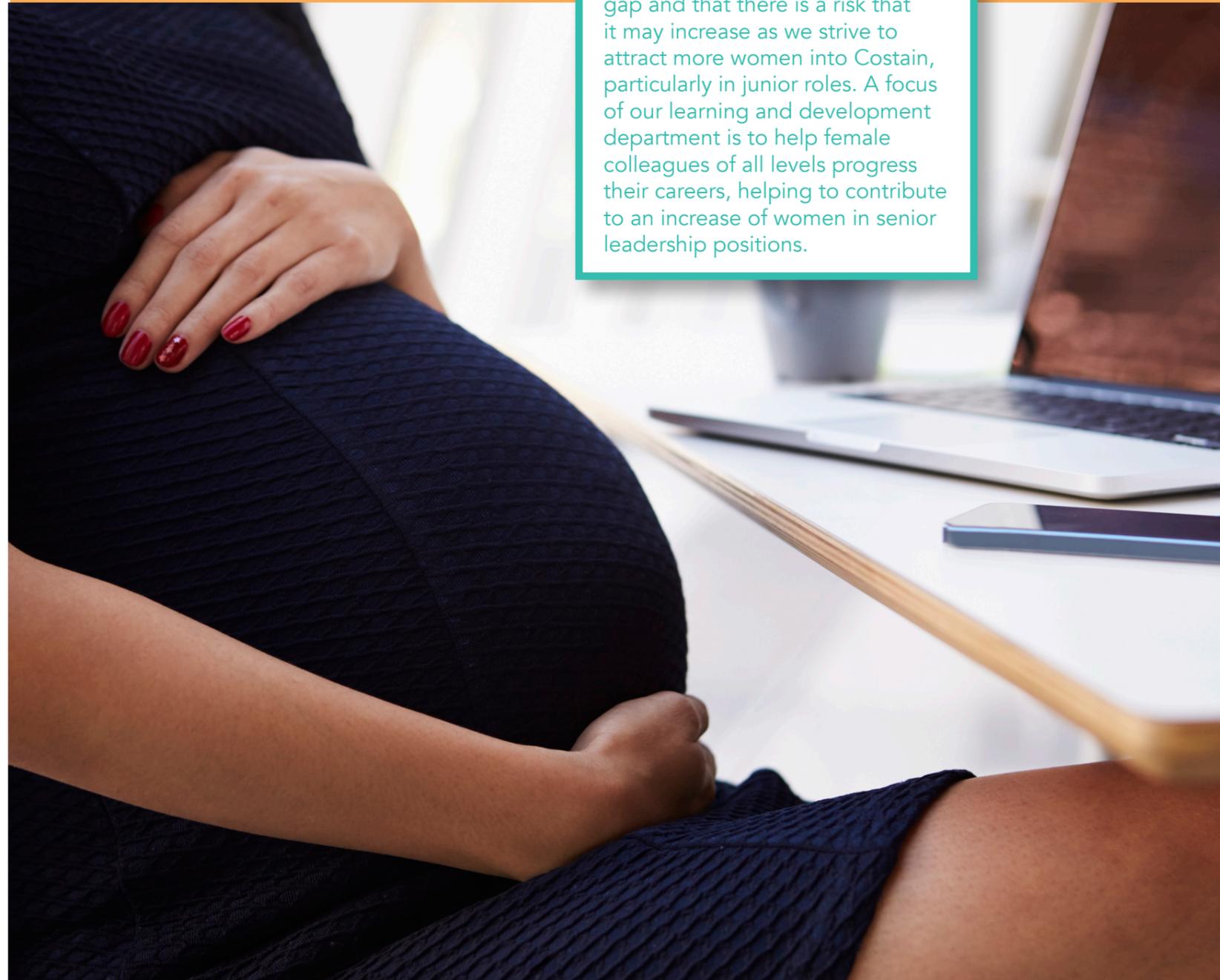
BONUS GAP		RECEIVING BONUS
% MEDIAN	-12.50	46.50% MALE
% MEAN	51.52	38.42% FEMALE

SALARY QUARTILES		
	% Male in quartile	% Female in quartile
Lower	53.72%	46.28%
Lower Middle	75.41%	24.59%
Upper Middle	82.14%	17.86%
Upper	87.30%	12.70%

Costain Limited	OVERALL PAY GAP			*Restated 2017 figures
		2018	2017*	
	% MEDIAN	14.47	14.17	
% MEAN	9.62	11.35		

BONUS GAP		RECEIVING BONUS
% MEDIAN	39.60	12.18% MALE
% MEAN	100.00	14.98% FEMALE

SALARY QUARTILES		
	% Male in quartile	% Female in quartile
Lower	88.55%	11.45%
Lower Middle	85.54%	14.46%
Upper Middle	91.02%	8.98%
Upper	91.57%%	8.43%





www.costain.com

Costain House
Vanwall Business Park
Maidenhead
Berkshire
SL6 4UB

Publication date 1 March 2019