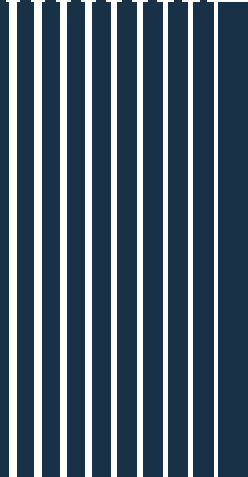




Creating a sustainable future



Annual Report and Accounts 2025



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

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

Overview

Strategic Report

Governance

Financial Statements

Financial highlights

2025	£1,045.7m
2024	£1,251.1m
2023	£1,332.0m

Revenue

£1,045.7m

2025	£44.8m
2024	£31.1m
2023	£26.8m

Operating profit

£44.8m

2025	4.3%
2024	2.5%
2023	2.0%

Operating profit margin

4.3%

2025	13.9p
2024	11.3p
2023	8.1p

Basic earnings per share

13.9p

2025	£63.1m
2024	£27.1m
2023	£72.0m

Adjusted free cash flow¹

£63.1m

2025	£47.1m
2024	£43.1m
2023	£40.1m

Adjusted operating profit²

£47.1m

2025	4.5%
2024	3.4%
2023	3.0%

Adjusted operating profit margin²

4.5%

2025	14.5p
2024	14.6p
2023	12.2p

Adjusted basic earnings per share²

14.5p

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 Key Performance Indicators for more information on the above / **pages 16 and 17**

Non-financial highlights

2025	0.16 LTIR
2024	0.11 LTIR
2023	0.12 LTIR

Safety³

0.16 LTIR

2025	£290k
2024	£410k
2023	£460k

Social contribution⁴

£290k

2025	175,078tCO ₂ e
2024	297,123tCO ₂ e
2023	294,840tCO ₂ e

Carbon emissions (Scope 1,2 and 3)

175,078tCO₂e

Our sustainability performance

Operating responsibly is integral to the creation of a more prosperous, resilient and decarbonised future, underpinning how we operate and our expectations of our people, suppliers and partners.



For more information, download our Sustainability Report here www.costain.com/sustainability



See our Sustainability Performance for more information / **page 22**



Kate Rock
Chair



Chair’s Statement

This Chair's Statement provides an opportunity for reflection on the last three years at Costain, during which time I have been Chair. I am extremely proud of the significant progress made by the business during this period, as evidenced by our strong financial performance and the strategic choices and operational improvements that have created a resilient and high-quality business. This is the result of the enthusiasm, dedication and expertise of our people, and I remain extremely impressed by the quality of our teams that I engaged with at the sites I visited during FY 25. On behalf of the Board, I would like to hugely thank every one of our colleagues at Costain for their commitment and hard work every single day. Costain is in great shape as we build and focus on our next stage: strategic, customer-focused growth.

Improving the quality of our business

Our key financial metric for the past three years has been adjusted operating margin, which we selected as the best indicator of the quality of our contract portfolio and earnings. Our underlying margin is industry leading. In FY 24 we exceeded the 3.5% target margin run-rate to be achieved during the year, and in FY 25 we have again exceeded the 4.5% target margin run-rate. The strong margin performance over the past three years reflects the rigorous risk management processes and disciplines that have been firmly embedded into the business, the operational improvements brought about by our three-year transformation programme, and our mix of contracting and consultancy work. Our contract portfolio contains no single-stage lump sum contracts and is predominantly long-term frameworks of target cost contracts where the scope of work, programme design and budget are developed and agreed with the customer. We have a thorough approach to project selection to ensure terms and conditions and margins are appropriate for each project and retain an unwavering focus on maintaining a disciplined approach to contract risk management as the project progresses.

We have improved the resilience of the business by broadening the scale of our market presence across all sectors. In FY 25, we won new customers such as Urenco and expanded our work on existing frameworks with customers from the regulated sector, private sector, and local and devolved government sectors, such as Heathrow, TfL, EDF, Anglian Water and Babcock. As a result, we have greater resilience in the event of short-term changes in individual customer spending plans.

As well as improving the quality and diversity of our contract portfolio, we have been highly successful in increasing the volume of work secured. Our forward work position grew by a further £1.6bn in FY 25 to a record £7.0bn, almost seven times our FY 25 annual revenue, indicative of our customers' investment plans and the increasingly attractive markets in which we have carefully chosen to focus and work on.

Attractive markets with growing momentum

Our market focus remains on the critical national infrastructure that meets essential needs (Transport, Water, Energy and Defence) and our strategic focus remains on long-term relationships with customers who seek to partner with Costain for our significant support across the lifecycle of their assets. Together, we expect this to result in the delivery of sustainable, profitable growth over the medium term.

There is increasing momentum behind the need to create a sustainable future for a more prosperous, resilient and decarbonised UK. The publication of the UK Government's new 10-year Infrastructure Strategy in the summer of 2025, backed by £725bn of funding over the next decade, was a significant milestone, which positively impacted our marketplace. It represents the first time the UK Government has set out a long-term infrastructure strategy that brings both economic

and social infrastructure together. The Infrastructure Strategy was followed by the publication of the Infrastructure Pipeline, which provides the project-by-project detail supporting the Infrastructure Strategy. Together with the most recent regulatory determinations in water, energy and aviation, all of which involve significant increases in regulatory asset spending over the next investment period (notably in water where investment in AMP8 is set to be twice the level of AMP7), the Infrastructure Strategy and Infrastructure Pipeline provide increased clarity and confidence in the significant growth opportunities in our target markets.

Delivering predictable, profitable growth

Looking ahead, given the attractive market backdrop and our record forward work position, the improved quality of our business and our strong balance sheet, Costain is well placed to deliver sustainable, profitable growth over the medium term. Key to this is the maintenance of strong risk management disciplines and enhancement of our operational effectiveness and efficiency through continued investment in systems and expertise to enable us to deliver predictable best-in-class outcomes to our customers.

The Board of Directors is also focused on ensuring the business has the capacity and capability to deliver the large volume of work won over recent years, while continuing to operate responsibly and sustainably. This requires an engaged and thriving workforce and, with this in mind, the Board established the role of Workforce Engagement Director to support this focus, with Amanda Fisher beginning in this role in early 2025. Workforce engagement is the responsibility of the entire Board, and I was again delighted to be able to visit several of our project sites during the year to see the dedication and passion our teams bring to their projects and hear what the business can do to continue to support them and ensure they stay safe.

Safety is a core value at Costain, and we aim to eliminate harm across our business. Our focus on safety has seen us reduce injuries to industry-leading levels in recent years, culminating in a record performance in FY 24, although in FY 25 there was a rise in our lost time injury rate safety metric.

A key achievement for the business in 2025 was the retention of our Best Companies' accreditation as 'A Very Good Company to Work For' following our latest engagement survey, in which 75% of our workforce participated. We will take the employee feedback from this survey and look to make further improvements to our employee proposition to make Costain a great place to work.

Alongside our direct workforce, our ability to deliver on our future growth potential also relies upon being a trusted and valued partner for an enlarged supply chain. In FY 25, we continued to invest in resource and capability to ensure we secure the necessary supply chain expertise to deliver predictable outcomes to our clients.

Sustainability is embedded in what we do and how we do it. Together with our customers and supply chain, we create infrastructure for a more prosperous, resilient and decarbonised future. We aim to do this in a way that creates value for all of our stakeholders. Recognising this, the Board established a Sustainability Committee in FY 25, chaired by Steve Mogford, to ensure that our sustainability programme and actions receive the time and attention they deserve, and help the business to capitalise on the strong market environment and work proactively with our customers to create a sustainable future for the UK.

The previously mentioned governance measures relating to workforce engagement and sustainability will further enhance the ability of the Board to provide the oversight and guidance necessary for Costain to deliver on its growth ambitions and generate long-term value for shareholders.

Shareholder returns

As announced on 26 January 2026, as part of the latest triennial review of the Group's defined benefit pension scheme, we reached an agreement with the Trustee on the removal of the dividend parity arrangement that had previously been a key feature of the scheme agreement. This has removed a significant constraint that existed with respect to returns to shareholders, as these returns will no longer trigger matching contributions to the pension scheme.

The Board carefully considered its options and decided that it could now move to its target dividend cover of three times adjusted earnings per share. As a result, the Board has proposed a final dividend per share of 3.2 pence, resulting in a FY 25 full-year dividend per share of 4.2 pence, an increase of 75% on the FY 24 full-year dividend per share. In addition, the Board decided that it would return a further £20m to shareholders in FY 26 via an on-market share buyback programme, details of which we plan to announce on 10 March 2026. This follows the £10m share buyback programmes completed in each of FY 24 and FY 25.

Having made these returns to shareholders, the Board is confident that the business will retain a strong balance sheet. Net cash is expected to be approximately £175m at the end of FY 26 after the partial unwind of historic working capital benefits and enhanced shareholder returns, in the form of the above-mentioned £20m share buyback programme and an almost doubling of dividend cash payments.

This combination of a strong net cash position, progression to our dividend cover target of three times adjusted earnings per share, and expanded share buyback programme is creating substantial value for shareholders. Going forward, the Board will continue to assess the Group's capital structure on a regular basis, factoring in forecast free cash flow generation for the year ahead, with the potential for additional future returns of capital as appropriate.

Summary

The Board thanks our teams, 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 macroeconomic and geopolitical conditions, we are well positioned for further cash generation and earnings growth. Costain is in great shape, with improved quality of earnings, business resilience, and strong work-winning momentum in attractive growth markets driving our confidence in the delivery of FY 26 expectations, with a step change in performance expected in FY 27 and beyond.

Kate Rock
Chair

9 March 2026





Alex Vaughan
Chief Executive Officer



Chief Executive Officer’s Statement

Strong financial performance reflecting quality of contract portfolio and predictable execution

We report both statutory results (reported) and results excluding adjusting items (adjusted).

Revenue was £1,045.7m in FY 25 (FY 24: £1,251.1m). In Natural Resources, there was increased revenue across Energy, and Defence and Nuclear Energy, with stable revenue in Water, a good performance given the water industry was transitioning from the delivery of AMP7 to early design work in the AMP8 regulatory cycle and Tideway neared completion. In Transportation, there were revenue reductions in Road, due to the expected completion of historic Regional Delivery Partnerships (RDP) framework projects, and in Rail, as previously announced, due to the development of a revised schedule for HS2, which moved work into FY 26 and future years. There was strong growth in Integrated Transport, reflecting the expansion of our work at Heathrow.

Adjusted operating profit grew by 9.3% to £47.1m (FY 24: £43.1m), with increased volumes and strong in-year contract performance in Natural Resources and the positive impact of normal course of business contract completions in both divisions partially offset by lower volumes in Transportation. The adjusted operating margin increased to 4.5% (FY 24: 3.4%), benefiting from the increase in adjusted operating profits and the lower volumes of completed historic RDP framework projects, which operated at below normal margin levels. Reported operating profit increased to £44.8m (FY 24: £31.1m), with lower adjusting items of £2.3m (FY 24: £12.0m), reflecting £2.6m of restructuring costs (FY 24: £0.1m credit), £0.7m of residual Transformation programme costs (FY 24: £5.4m), and a £1.0m provision release relating to fire safety compliance liabilities (FY 24: £6.7m cost).

Net finance income was £3.8m (FY 24: £5.4m), reflecting lower interest income from lower bank deposits and interest rates, and higher bank charges on the accelerated amortisation of charges relating to our prior refinancing. Adjusted profit before tax increased 4.1% to £50.5m (FY 24: £48.5m). Adjusted basic earnings per share (EPS) was broadly flat at 14.5 pence (FY 24: 14.6 pence), with the increase in adjusted operating profit and a reduced share count following the FY 24 and FY 25 share buyback programmes offset by a higher adjusted effective tax rate and lower net finance income. Reported profit before tax was up 32.1% at £48.2m (FY 24: £36.5m), while reported basic EPS was up 23.0% at 13.9 pence (FY 24: 11.3 pence).

Further strengthening of the balance sheet

Our net cash position at the end of the year was £189.3m (FY 24: £158.5m) after taking account of the £10m share buyback programme and higher dividend payments in FY 25.

Cash from operations in FY 25 was £50.7m (FY 24: £41.7m), with the increase reflecting increased adjusted operating profits and working capital timing. Adjusted free cash flow in FY 25 of £63.1m (FY 24: £27.1m) was higher than in the same period last year, benefiting from the above-mentioned increase in cash from operations and lower capital expenditure following the investment in a new HR system in FY 24. During FY 25 we paid 97% of invoices within 60 days (FY 24: 98%).

We expect our FY 26 year-end net cash position to be approximately £175m after the partial unwind of historic working capital benefits and enhanced shareholder returns, in the form of a £20m share buyback programme and an almost doubling of dividend cash payments.

2025	£1,045.7m
2024	£1,251.1m
2023	£1,332.0m

Revenue

£1,045.7m

2025	£47.1m
2024	£43.1m
2023	£40.1m

Adjusted operating profit¹

£47.1m

2025	4.5%
2024	3.4%
2023	3.0%

Adjusted operating profit margin¹

4.5%

Record forward work position

Costain continues to secure further strategic programme awards and enjoys good visibility on future work. As at the end of FY 25, our forward work position, which is our combined order book and preferred bidder book, stood at £7.0bn (FY 24: £5.4bn; H1 25: £5.6bn), representing an increase of 30% and almost seven times our FY 25 annual revenue. It includes £1.1bn of revenue for FY 26, equivalent to 90% of our forecast revenue for the year.

This forward work position is built on long-term programmes that enable us to deliver a high consistency, continuity and quality of work for our customers. As at the end of FY 25, it included no single-stage lump sum contracts and was predominantly long-term programmes of work with target cost contracts where the scope of work, design and budget are developed and agreed with the client.

Our order book stood at £3.6bn at period end (FY 24: £2.5bn; H1 25: £3.4bn). The preferred bidder book stood at £3.4bn at period end (FY 24: £2.9bn; H1 25: £2.2bn). The preferred bidder book comprises contracts for which we have been selected on frameworks, and allocated an intended volume of work, but 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 either our order book or preferred bidder book, as it is undefined.

Rigorous and disciplined risk management

The stringent assessment and management of risk is central to the successful execution of our strategic plans. Our risk management processes and disciplines continue to ensure a robust operational and trading performance, and our ambition remains to deliver improving operating margins in excess of 5.0%. This is achieved through rigorous risk management and commercial control throughout our operations in three key areas:

- a disciplined approach to contract selection, which includes robust commercial and legal reviews, proactive shaping of procurement approaches with our customers, and a rigorous multi-stage gating process;
- commercial and operational assurance, which includes project level controls, management oversight of forecasts, and cross-disciplinary contract review meetings; and
- working with strategic supply chain partners, with application of robust supply chain management processes.

Capital allocation

The Group’s capital allocation priorities remain consistent. As announced on 26 January 2026, a new agreement has been reached with the Trustee of the defined benefit pension scheme that removes the dividend parity arrangement that previously existed, taking away a significant constraint that had existed in respect of returns to shareholders.

Recognising this, the Board undertook a review of its options regarding both the dividend and other returns of capital, and on 26 January 2026 it announced two intentions: to pay a dividend in line with its target of dividend cover of three times adjusted earnings, and to undertake a £20m share buyback programme in FY 26. The Board will proceed with both actions. Our capital allocation priorities continue to be:

- **Investing for growth.** Costain will continue disciplined investment in key areas such as systems and digitalisation to accelerate its business transformation and expects to invest around £10m per annum in this area in the coming years. We will also continue to prioritise investment in capabilities and expertise to support targeted growth opportunities.
- **Dividend.** The Group has a target dividend cover of three times adjusted earnings. The Board has proposed an increase of 60% in the final dividend for the year ended 31 December 2025 to 3.2 pence per share (FY 24: 2.0 pence). This results in an increase of 75% in the full-year FY 25 dividend to 4.2 pence per share (FY 24: 2.4 pence). If approved at the AGM, the final dividend will be paid on 26 May 2026 to shareholders on the share register at close of business on 17 April 2026.
- **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, identified surplus capital will be returned to shareholders through share buybacks or special dividends. The Group completed a £10m share buyback programme in both FY 24 and FY 25, and on 10 March 2026 it plans to announce a £20m share buyback programme, to be completed during FY 26.

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

Group strategy

Costain is an infrastructure solutions business, with a purpose of improving people’s lives, and is implementing its growth and value creation strategy through:

- a clear focus on markets where there is strategic long-term investment being made to meet critical national needs, to create a sustainable future for a more prosperous, resilient, and decarbonised future;
- working with our targeted customers in long-term strategic partnerships, normally for five years or more; and
- enhancing our value by providing services and innovative engineering solutions to meet our customers' broad and changing needs.

The Group made good progress during FY 25 in executing its strategic priorities.

Growth in strong markets

We have increasing confidence that we are well positioned in our chosen growth markets of Transport (Road, Rail and Integrated Transport, including aviation and ports), Water, Energy, and Defence, where there is strategic long-term investment being made to meet critical national needs, as evidenced through:

- the UK Government’s 10-year Infrastructure Strategy and Infrastructure Pipeline, providing greater clarity on £725bn of investment;
- regulated determinations in water, energy and aviation that are expected to result in significant increases in future investment in these sectors; and
- the mix of our record forward work position of £7.0bn.

Predictable, best-in-class delivery

It is critical that the services and programmes that we deliver for our customers are predictable and best-in-class as standard. We continuously drive improvements in this area. In FY 25 we:

- opened the M1 National Emergency Area Retrofit North programme ahead of schedule, and opened our projects on the M6, A30 and A1 on time;
- had a very positive close to AMP7, with our teams achieving 100% compliance with our customers’ regulatory date commitments across over 100 projects;
- successfully completed the twin-bore Northolt Tunnel from West Ruislip to Old Oak Common for HS2 safely and on schedule;
- safely managed the complex demolition of the Allerdene bridge on the A1 Birtley to Coal House project with no disruption to the busy East Coast Main Line;
- delivered extensive upgrades to dock infrastructure at Devonport to the highest safety and environmental standards, to enable Royal Navy submarines to undergo critical maintenance;
- safely completed the demolition of the connector between Terminal 1 and Terminal 2 (T2) at Heathrow ahead of schedule, a key milestone in the T2 baggage handling facility project; and
- unlocked significant efficiency through our solutions on our programmes.

Growing, resilient customer mix

We choose to work with customers in strategic long-term programmes, which are normally of a duration of five years or more. We build long-term, valued partnerships, with many of our customer relationships extending over 20 years as we repeatedly extend programmes of work. These include National Highways, Sellafield, Southern Water, Thames Water, and United Utilities. New customer relationships added over the past five years include Heathrow, Manchester Airports Group, Babcock, TfL, Anglian Water, bp and Northumbrian Water Group.

During FY 25, we continued to build and expand our customer base and increase the breadth of activities with new and existing customers to enhance the business’ resilience in the event of short-term changes in individual customer investment plans.

Customer relationships extended during FY 25 include:

- Sellafield: 15-year contract to deliver critical utilities infrastructure upgrades at the nuclear power station, extending and expanding a relationship that began in 2005;
- Anglian Water: contract to deliver an additional 260km of pipeline in the east of England over the next five years, as part of the Strategic Pipeline Alliance;
- EDF: a five-year extension to our existing contract to provide project controls services across their fleet of eight nuclear power stations; and
- Babcock, Heathrow, Severn Trent Water, Thames Water and TfL: expansion of our work on existing framework agreements to progress refurbishment of their critical infrastructure.

Post year-end we were awarded a contract for the design and build of a junction on the M5 in Somerset, extending our long-standing relationship with National Highways.

New customer relationships in 2025 include:

- Urenco: a programme delivery partner framework to deliver new and upgraded infrastructure at its Cheshire site, and an additional design services FEED for Europe’s first commercial scale high-assay low-enriched uranium facility;
- Eastern Highways Alliance (EHA): a place on the multi local authority framework that covers civil engineering and construction works across the EHA road network;
- Nuclear Restoration Services (NRS): a contract to deliver a decommissioning project at the Trawsfynydd nuclear power station in North Wales; and
- Sizewell C: a 10-year contract to provide project management expertise.

Post year-end we were awarded a place on two framework contracts with London Gatwick airport, covering a range of capital projects to upgrade the airport’s infrastructure.

Building a meaningful consultancy service

Our business is differentiated in seeking to meet our customers’ broader business needs, not just their new capital infrastructure construction and maintenance. Consultancy services grew to 17% of FY 25 Group revenues (FY 24: 12%). In addition to the Urenco, EDF and Sizewell C awards noted above, during FY 25 we won consultancy business with:

- Department for Energy Security & Net Zero, to provide technical and strategic consultancy services on the Department’s Energy and Net Zero Professional Services Framework;
- National Highways, where we secured a place on the Specialist Professional and Technical Services Framework 3 (SPaTs3) through the RIS3 road investment cycle;
- Department for Transport, to provide technical and commercial advice to develop a range of rail infrastructure enhancement projects in the Western, Wales and Wessex regions;
- Storengy UK, to deliver two FEED contracts to support the development of their underground hydrogen storage facility in Cheshire;
- Manchester Airports Group: to conduct two biodiversity studies at Manchester Airport and East Midlands airport; and
- further design commissions as part of our AMP8 water framework agreements and Network Rail professional services framework agreement.

Sustainability performance

Being a sustainable business is fundamental to Costain’s purpose of improving people’s lives and is central to our vision to create infrastructure for a more prosperous, resilient and decarbonised future. Demonstration of sustainability credentials is often a key component of our customers’ selection process when awarding new work. Our sustainability programme brings together the sustainability issues materially important to Costain, driving towards our medium-term goals as set out in our 2030 Sustainability Programme.

The safety of our people is a core value and an important component of our sustainability programme. Following several years of improving safety performance to industry-leading levels, culminating in a record performance in FY 24, we saw a rise in our lost time injury rate (LTIR) to 0.16 in FY 25 from 0.11 in FY 24, although other safety metrics showed improvement in the year. LTIR is calculated as the ratio of the total number of lost time incidents per every 100,000 hours worked.

We made good progress towards many of our 2030 sustainability goals during FY 25, including:

- a reduction in our gender and ethnicity pay gaps;
- the creation of over £600k of social value as we implemented our social value plan and celebrated Costain’s 160th anniversary with an employee volunteering campaign;
- an average score of 46/50 in the Considerate Constructors Scheme (industry average of 41/50);
- a reduction in environmental incidents, waste and water consumption;
- a 41% year-on-year decrease in emissions and continued improvements to data collection following the introduction of our Environmental Construction Data Tracker in 2024; and
- retention of the Green Economy Mark, recognising that our revenue exceeds the 50% 'green income' threshold.

The above strategic progress is supporting our goal to be admired as a valued partner by our customers and supply chain, as a trusted employer and community partner, and as a business that delivers increasing and sustainable shareholder returns.

Outlook

Strong market momentum and increased forward work position underpins our growth prospects. We are well placed to capture the substantial multi-year growth opportunities that exist across all our chosen markets. Our confidence is underpinned by our strategic long-term relationships with customers and the strength of our forward work and balance sheet. As we deliver these higher volumes of work, we will remain focused on maintaining the rigorous contract management disciplines that have led to today’s high-quality contract portfolio and industry-leading margins.

We expect to remain highly cash generative and to deliver progress in both revenue and adjusted operating profit in FY 26 with an adjusted operating margin of around 4.0% for the full year, in line with market expectations, as the positive contract completions in FY 25 are not expected to repeat in FY 26, and as we invest in the business to support the attractive growth opportunities. We continue to expect a step change in performance in FY 27 and beyond, driven by the step up in our customer’s investment spending plans and growth across all our markets, and our ambition remains to deliver improving operating margins in excess of 5.0%.

Alex Vaughan

Chief Executive Officer

9 March 2026

Our Vision, Purpose and Strategy

Overview

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 and Nuclear Energy
Expertise	We deliver strategic capital programmes and provide valued consultancy services through our broad capabilities					
	Engineering and construction	Maintenance and renewals	Advisory solutions	Engineering and design	Delivery partner	

Costain has been improving the lives of people through infrastructure for more than 160 years. Our vision is to create connected, sustainable infrastructure enabling people and the planet to thrive, creating a sustainable future for a more prosperous, resilient and decarbonised UK.

The strategy laid out above supports the delivery of our vision, putting us at the forefront of meeting the UK’s infrastructure needs with sustainable solutions.

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.

We build and grow strategic relationships with customers, forging and deepening long-term partnerships, which supports us in delivering our growth ambitions and in building an increasingly resilient customer portfolio. It also enables us to extend our service offering across the asset lifecycle through the provision of our engineering-led expertise and capabilities.

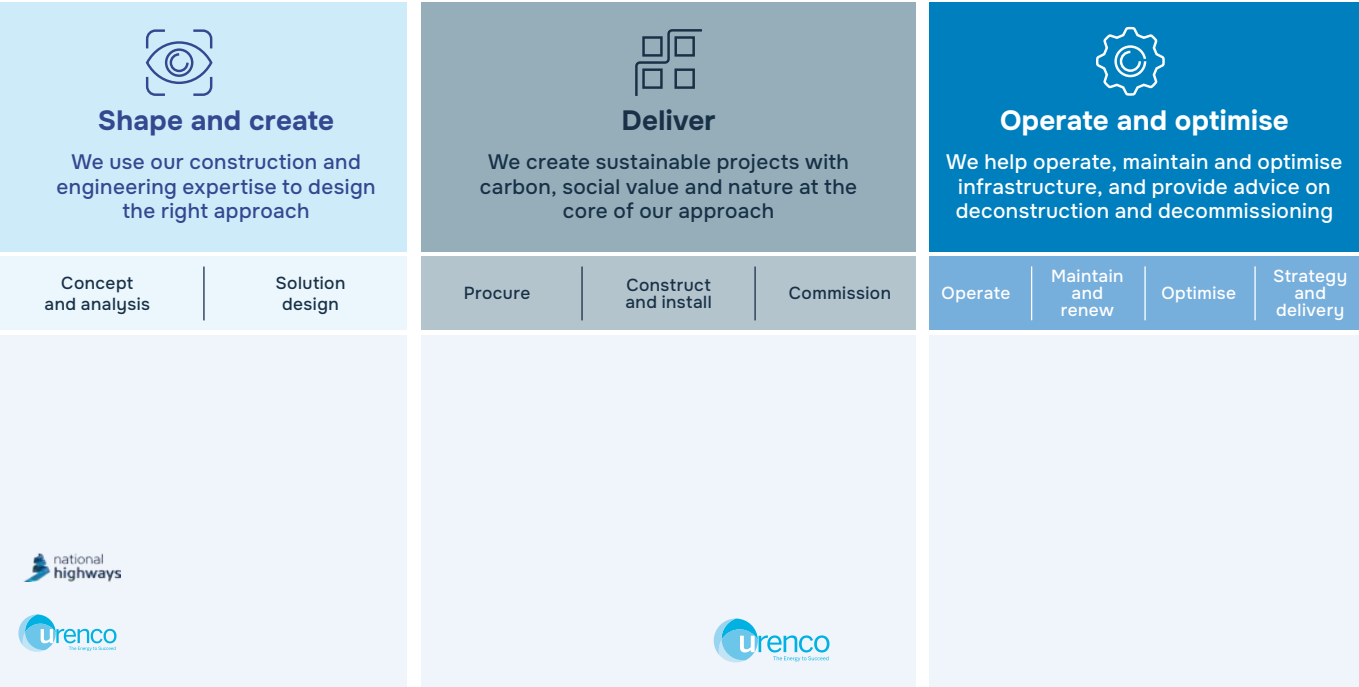
We continually identify and deliver improvements to our approach to enhance productivity and drive predictable best-in-class delivery, and constantly strive to be an organisation admired by all of our stakeholders for how we operate, our sustainability credentials, and the outcomes we deliver.

Our key financial metric to measure our performance over the past three years has been adjusted operating margin, which we selected as the best indicator of the quality of our contract portfolio and earnings. Our adjusted operating margin is industry leading. In FY 24 we exceeded our 3.5% target margin run-rate to be achieved during the year, and in FY 25 we have again exceeded our 4.5% target margin run-rate.

The strong margin performance over the past three years reflects the rigorous risk management processes and disciplines that have been firmly embedded into the business, the operational improvements brought about by our three-year transformation programme, and our mix of contracting and consultancy work.



A business model focused on meeting our customers' broad needs

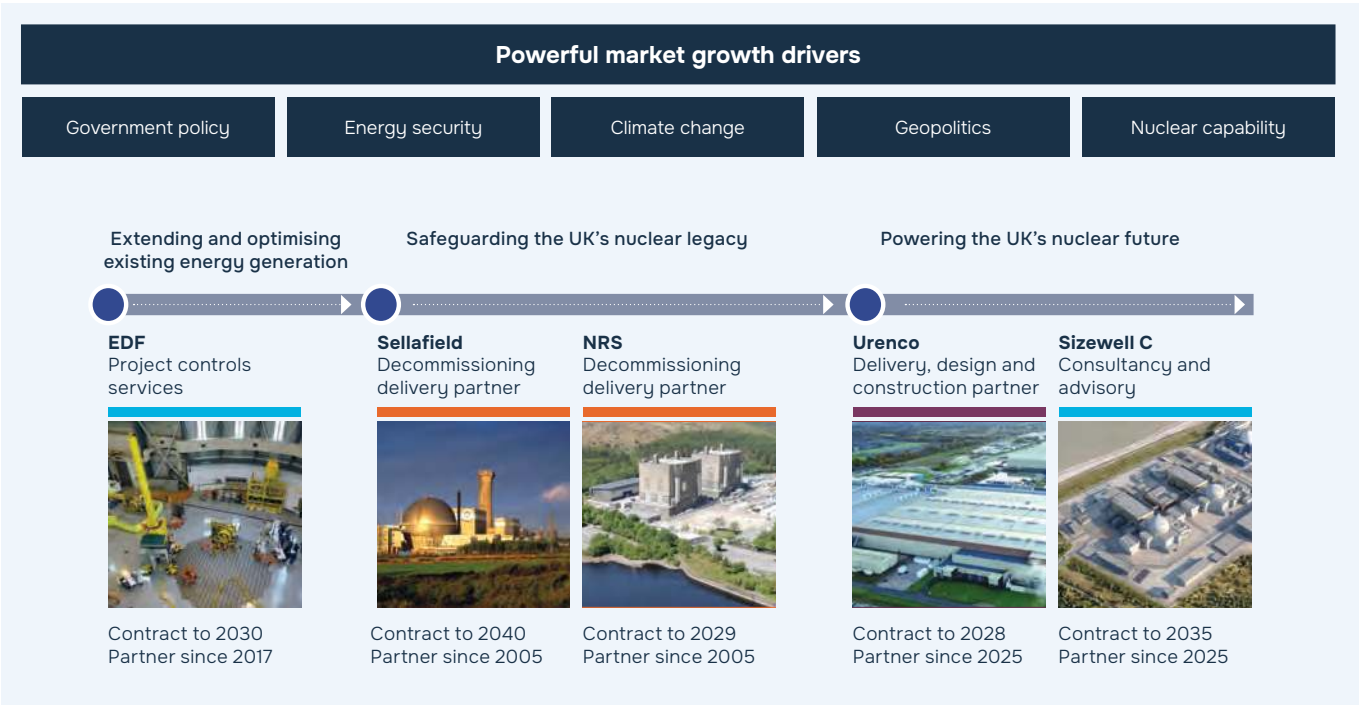


Our business is differentiated in seeking to meet our customers’ broader business needs, not just the construction and maintenance of their capital infrastructure.

Within our chosen markets we work with a growing number of customers who choose to work with their partners on strategic five-to-ten-year programmes of work. The nature of these contracts allows us to build strong, long-lasting and valued relationships, broaden our service value, and maintain consistency and continuity of workflows over the business plan period.

Below is an example of how our strategy and business model enables our engineering-led expertise to benefit our growing customer base in the nuclear energy sector.

Bringing our strategy to life – Nuclear energy case study



Key: ■ Consultancy ■ Construction ■ Construction & Consultancy

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.

We have increasing confidence that we are strategically well positioned in our chosen long-term attractive growth markets, based on:

- the UK Government's 10-year Infrastructure Strategy and Infrastructure Pipeline, which were published in the summer and which provide greater clarity on £725bn of investment; and
- regulated determinations in water, energy and aviation, combined with non-regulatory expansion plans (such as potential strategic reservoirs and airport expansion), that are expected to result in significant increases in future investment in these sectors.

Strategic investment programmes – infrastructure spend¹

	Committed investment ¹	Investment period	2026	2027	2028	2029	2030	2031	2032
National and local roads	£24bn	2026–2030	Motorway and local road improvements ⁵						
High Speed Rail	£25bn	2026–2030	HS2 Phase 1 (London–West Midlands) ⁶						
Network Rail	£43bn	2024–2029	CP7				CP8		
Other rail enhancements	£10bn	2026–2032	Rail enhancements (outside of CP7)						
Local and regional transport	£21bn	2022–2032	CRSTS ²	Transport for City Regions (TCR)					
	£9bn	2026–2030	TfL ⁷						
Aviation	£65bn	2022–2039	Airport upgrades and expansion						
Water	£104bn	2025–2030		AMP8				AMP9	
Energy	£9bn	2026–2030	CCUS						
	£6bn	2026–2030	GB Energy ³						
	£28bn	2026–2031	RIIO-3						
	£22bn	2023–2028	RIIO-ED2			RIIO-ED3			
Defence	£144bn ⁴	2026–2030	Public defence spend						
Nuclear Energy	£14bn	2026–2030	Nuclear decommissioning						
	£2bn	2026–2030	Small modular nuclear reactors						
	£3bn	2026–2030	Nuclear fusion						
	£14bn	2026–2030	Sizewell C						

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 9 March 2026.

2 City Region Sustainable Transport Settlements.

3 Excludes nuclear spending.

4 Capital spending only (excludes resource spend; however, includes non- addressable equipment spending).

5 Announced commitment spend, awaiting announcement on National Highways RIS3 spend.

6 Commitment spend in Parliament period – total investment to completion will be higher but no formal, up-to-date, estimate published.

7 2026 TfL business plan.

Transportation sectors



Road

The upcoming Road Investment Strategy 3 (RIS3) programme is expected to result in broadly stable investment levels, with a shift in spending from major national road projects to renewals and maintenance. There is expected to be a greater emphasis on the local roads sector with investment targeted at unlocking new infrastructure and housing schemes.

Road committed spend

£54bn+



Rail

The government is committed to completing HS2 Phase 1 from London to Birmingham. Network Rail's CP7 focus is on renewals and maintenance rather than large projects, with the fastest growth in investment taking place with regional and devolved authorities, and on projects such as Northern Powerhouse Rail and the East West Rail schemes.

Rail committed spend

£78bn+



Integrated Transport

Major airport modernisation, notably by Heathrow and London Gatwick, is expected to drive strong growth in this sector, with the government proactively encouraging and prioritising this as a means of attracting private investment. This investment is expected to be a mix of airport upgrades, capacity and enabling infrastructure projects as well as a planned third runway at Heathrow.

Integrated Transport committed spend

£65bn+

Natural Resources sectors



Water

AMP8 capital investment programmes are forecast to be double the size of AMP7, with further increases expected in AMP9 and beyond as water companies upgrade ageing infrastructure. The strategic reservoir programmes are not included in the committed spend figures and represent additional investment opportunities.

Water committed spend

£104bn



Energy

Significant investment is expected over the medium term in capacity-constrained electricity networks and renewables connectivity, together with sustained investment in oil and gas distribution as the energy transition market continues to mature. There is also record investment in the Great Grid Upgrade.

Energy committed spend

£65bn+



Defence and Nuclear Energy

Geopolitical uncertainty is leading to significant investment in national security, including defence infrastructure, as well as a renewed focus on civil nuclear energy as a source of energy resilience. The government is committed to long-term development of the civil nuclear energy sector (eg construction of Sizewell C, small modular nuclear reactors).

Defence and Nuclear Energy committed spend

£177bn+



Jonathan Willcock
Managing Director, Transportation



Operational Review-Transportation

- Revenue of £605.3m was down 28.4%, as previously announced, reflecting significantly lower revenue in Road, due to the completion of historic RDP framework projects, and lower revenue in Rail, due to the development of a new integrated programme schedule for HS2, which moved work into FY 26 and future years, partially offset by strong growth in Integrated Transport due to our expanding work at Heathrow.
- Adjusted operating margin increased by 60bps to 4.1%, reflecting the positive impact of normal course of business contract completions in Road, and the lower volumes of historic RDP road projects, which operated at below normal margin levels.
- Our forward work position for FY 26 is £616m as at 31 December 2025.

We are encouraged by the UK Government’s 10-year Infrastructure Strategy and Infrastructure Pipeline, which sets out plans to increase investment in Transport (excluding HS2) in the medium term, notably in local, regional and devolved transport (such as the Northern Powerhouse Rail, East West Rail schemes and regional road infrastructure), together with the regulatory commitments and major expansion plans that will increase investment in the aviation sector.

Road revenue declined by 49.8% to £165.8m, driven by a reduction in National Highways schemes revenue as several historic RDP framework projects reached completion, partially offset by growth with TfL. As a strategic partner for National

Highways, we support their key investment programmes through the RDP major projects frameworks, the Specialist Professional and Technical Services (SPaTs) consultancy frameworks, and Area 14 highway maintenance contract.

On RDP, in Cornwall we opened to traffic a critical piece of infrastructure with a new stretch of A30 dual carriageway between Chiverton and Carland Cross. Our work to upgrade the A1 around Newcastle was also successfully completed at the end of 2025. We are progressing the detailed design phase of the M60 Simister Island scheme, which has been confirmed as part of the Infrastructure Pipeline, and we won a place on the SPaTs3 framework to provide technical and engineering services through National Highways’ RIS3 road investment programme for the period 2026 to 2031.

Within the Smart Motorways Programme (SMP) Alliance, we completed the delivery of the M6 Junction 21a-26 smart motorway upgrade, and our work to support the National Emergency Area Retrofit (NEAR) programme on the M1, through the design and delivery of 41 additional emergency areas for smart motorways, opened ahead of schedule. This programme of work is now complete.

With TfL we increased the volume of work, progressing contracts at Gallows Corner and Brent Cross and completing critical works on the A40 Westway, and we continue to support TfL’s CCTV service.

During 2025, we won a place on a multi local authority framework with the Eastern Highways Alliance (EHA), covering civil engineering and construction works across the road network of 11

Divisional results – Transportation

	FY 25¹	FY 24¹	Change¹
Road	165.8	330.3²	-49.8%
Rail	344.3	459.9²	-25.1%
Integrated Transport	95.2	55.6	71.2%
Total revenue	605.3	845.8	-28.4%
Operating profit/(loss)	24.9	29.9	-16.7%
Operating margin	4.1%	3.5%	60bps

1 On a reported and adjusted basis. See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.
2 Road and Rail in FY 24 includes revenue previously included in Integrated Transport, reported within Road and Rail from the start of FY 25.

local authorities in the east of England. This is the first time Costain has been awarded a place on a multi local authority schemes framework. This is of strategic importance given the greater emphasis on the local roads sector in the coming years, with investment targeted at unlocking new infrastructure and housing schemes.

In January 2026, we announced the award of a contract to design and build a new junction on the M5 in Somerset to provide access to the planned Agratas factory, which will be Britain’s biggest electric vehicle battery manufacturing facility.

Rail revenue decreased by 25.1% to £344.3m, principally because of the revised schedule for HS2, which moved work into FY 26 and future years, as previously announced. During FY 25, the last of the tunnel boring machines (TBMs) in the Northolt Tunnel successfully completed their drives safely and on schedule, a major milestone for the HS2 project as it completed the twin-bore tunnel between West Ruislip and Old Oak Common.

Work has now begun on the tunnel from Old Oak Common to Euston, with the first TBM beginning its drive in Q1 26. Above ground there is significant work in delivering key infrastructure to support the new railway. As previously announced, the HS2 programme continues to be navigating a change in its programme delivery strategy, with an integrated programme being developed.

We continue to expand our portfolio of work for Network Rail and DfT through our professional services consulting framework contracts.

Integrated Transport revenue increased by 71.2% to £95.2m, reflecting the growing volumes at Heathrow where we are upgrading the Terminal 2 baggage handling facilities and systems. We are involved in several other key projects at Heathrow, such as replacing the cladding on the main road tunnel in and out of the airport.

We also continue to support Manchester Airports Group at East Midlands, Manchester and London Stansted airports, and we have been awarded a place on two framework contracts at London Gatwick airport, to cover a range of capital projects to upgrade and modernise the airport’s infrastructure. As a result, we are now working for the three largest aviation customers in the UK, a market where we see strong medium-term growth potential driven by regulatory commitments and major expansion plans.



Discover more on our website / www.costain.com





Peter Mumford
Managing Director, Natural Resources



Operational Review-Natural Resources

- Revenue increased by 8.7% to £440.4m, reflecting growth in Energy and Defence and Nuclear Energy, with stable revenues in Water as the industry transitioned from AMP7 to AMP8 and Tideway neared completion.
- Divisional adjusted operating profit increased to £35.0m (FY 24: £23.8m), and adjusted operating margin increased by 200bps to 7.9%, reflecting a higher mix of consultancy revenue and positive normal course of business contract completions as AMP7 concluded.
- Our forward work position for FY 26 is £500m as at 31 December 2025.

Water revenue was stable at £250.8m, a good performance given the water industry was transitioning from the delivery of AMP7 to early design work in the AMP8 regulatory cycle and Tideway neared completion. We provide a broad range of services to improve asset and operational resilience across the sector, together with decarbonisation capabilities.

We delivered a very strong close to AMP7, achieving 100% of our regulatory date commitments on behalf of our customers across over 100 projects. Our focus has now moved to the successful mobilisation of the AMP8 capital delivery programmes for both existing AMP7 customers (Anglian Water, Severn Trent Water, Southern Water and Thames Water) as well as our new AMP8 alliances with United Utilities and Northumbrian Water. We also have a managed service provider contract with United Utilities and a professional services contract with Yorkshire Water.

Following our successful contract awards in FY 24 we have good visibility across 2025-2030 and continue to expect a doubling of investment in AMP8 compared to AMP7, to over £100bn. The AMP8 investment is expected to peak in 2027-2029 and is a key component of the expected step change in the Group's performance in FY 27 and beyond. These high levels of investment are expected to continue into AMP9, which runs from 2030-2035. Our contracts with United Utilities, Northumbrian Water and Southern Water extend through to the end of AMP9.

Water resilience is a critical area of focus for the industry, and in June 2025, we announced a five-year extension to our Strategic Pipeline Alliance contract with Anglian Water to improve resilience to drought and climate change by transferring water from wetter regions to drier parts of the east of England. During the year, our work for Tideway, where in a joint venture we are responsible for building the eastern section of London's new 'super sewer', became operational, bringing significantly greater environmental resilience to London.

The breadth of our service offering continues to grow; for example, it now includes constructability advice to customers as they design new strategic reservoirs. We secured a key position supporting the South East Strategic Reservoir Option (SESRO) project, positioning us well for future reservoir programmes over the next 10 years.

Energy revenue increased by 39.0% to £64.2m. 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

	FY 25 ¹	FY 24 ¹	Change ¹
Water	250.8	251.5	-0.3%
Energy	64.2	46.2	39.0%
Defence and Nuclear Energy	125.4	107.6	16.5%
Total revenue	440.4	405.3	8.7%
Operating profit/(loss)	35.0	23.8	47.1%
Operating margin	7.9%	5.9%	200bps

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

In energy transition (hydrogen and carbon capture), we continue to support bp with the design and delivery of its leading industrial scale carbon capture programme. We were awarded two FEED contracts with a new customer, Storengy UK, for its pioneering underground hydrogen storage project in Cheshire. We also continue to provide studies to Wales and West Utilities to assist them as they develop their hydrogen vision.

In energy connectivity (gas and electricity networks), we continue to manage the safety-critical gas mains replacement programme for Cadent in the east of England, achieving very high customer satisfaction scores. Ofgem has an £80bn investment programme planned for the RII0-3 regulatory period from 2026 to 2031 to maintain critical gas networks and upgrade the UK's electricity grid. This is four times the level of investment made during RII0-2, with the first £28bn tranche of this programme now approved, and we continue to expect strong growth opportunities as the UK embarks on its 'Great Grid Upgrade'.

Defence and Nuclear Energy revenue increased by 16.5% to £125.4m, driven by growth within our current delivery partnership roles for executive non-departmental public and government bodies and with Tier 1 companies. During the period, we completed extensive upgrades to the dock infrastructure at Devonport for Babcock, to enable Royal Navy submarines to undergo critical maintenance before returning to sea, and we continued to support the Atomic Weapons Establishment (AWE) as their construction delivery partner to deliver major infrastructure projects.

We made significant progress in the nuclear energy sector in FY 25. In October, we announced the award of a major delivery partnership contract with Sellafield, worth up to £1bn over 15 years, to deliver critical utilities infrastructure upgrades, thereby extending a relationship that began in 2005. We also extended our project controls services contract with EDF to support their fleet of nuclear power stations for a further five years, and won a contract with Nuclear Restoration Services (NRS) for decommissioning work at a nuclear power station in North Wales.

In March, we added Urenco as a new customer, securing a programme delivery partner framework to deliver new and upgraded infrastructure at its Cheshire site and then an additional design services FEED for Europe's first commercial scale high-assay low-enriched uranium facility.

This facility will provide the fuel for the small modular reactor and advanced modular reactor units for Rolls Royce as part of Great British Nuclear's drive to deliver cheaper, cleaner and more secure energy. We also won a 10-year framework with Sizewell C to provide engineering, project delivery and quality control expertise to support the construction of the new nuclear power station.

Geopolitical uncertainty is leading to significant investment in national security, including defence infrastructure, as well as a renewed focus on civil nuclear energy to improve energy resilience, and the government is committed to long-term development of the civil nuclear energy sector. As a result, we continue to see strong medium-term growth opportunities in Defence and Nuclear Energy and are well positioned across the Defence Nuclear Enterprise.



Key Performance Indicators

Our Key Performance Indicators (KPIs) are aligned with how we measure our performance against our strategic priorities.

Financial metrics				Non-financial metrics									
2025	£47.1m	2025	4.5%	2025	14.5p	2025	£63.1m	2025	0.16 LTIR	2025	£290k	2025	175,078tCO ₂ e
2024	£43.1m	2024	3.4%	2024	14.6p	2024	£27.1m	2024	0.11 LTIR	2024	£410k	2024	297,123tCO ₂ e
2023	£40.1m	2023	3.0%	2023	12.2p	2023	£72.0m	2023	0.12 LTIR	2023	£460k	2023	294,840tCO ₂ e
Adjusted operating profit¹		Adjusted operating profit margin¹		Adjusted basic earnings per share¹ (EPS)		Adjusted free cash flow		Safety		Social contribution		Environmental impact²	
£47.1m		4.5%		14.5p		£63.1m		0.16 LTIR		£290k		175,078tCO ₂ e	
Measure													
Adjusted operating profit¹.		Adjusted operating profit margin¹.		Adjusted basic earnings per share¹.		Adjusted free cash flow is defined as net cash flow from operating activities, excluding cash flow relating to adjusting items, less capital expenditure.		Lost Time Injury Rate (LTIR), which is calculated by dividing the number of lost time injuries by the number of hours worked, multiplied by 100,000.		Community investment.		Absolute GHG emissions (Scopes 1, 2 and 3).	
Relevance													
We believe that an increase in adjusted operating profit¹ and improved margin is the best indicator of the improved quality of our contract portfolio and earnings. Growth in adjusted operating profit will also be enhanced by growth in the volume of work, which we expect to increase following the UK Government's 10-year Infrastructure Strategy and regulatory spending increases in the water, energy and aviation sectors.		As our business becomes more efficient and revenue mix shifts to include more higher-margin consultancy 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. Adjusted operating margin is calculated as adjusted operating profit divided by adjusted revenue.		We believe that adjusted 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. Adjusted EPS is calculated based on the adjusted profit attributable to equity shareholders¹, divided by the basic weighted average number of ordinary shares ranking for any dividend in the period.		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.		Effective health and safety management systems are critical in preventing incidents which could cause injury to people and damage to property and reputation.		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.		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 31.	
Target													
Double-digit compound growth in the medium term.		We exceeded our target 4.5% adjusted operating margin¹ run-rate during the course of FY 25. Our ambition is to reach an annual adjusted operating margin in excess of 5.0%.		We target adjusted EPS growth in line with our strategy to grow operating profit.		Cash conversion rate of 90%.		Target is to keep LTIR less than 0.15.		Annual contribution of 1% of post-tax profit.		Net zero GHG emissions by 2045.	
Performance													
Adjusted operating profit¹ growth of 9.3% reflected the improved quality of the contract portfolio and volume growth in Natural Resources.		Adjusted operating margin¹ was 4.5% for the year and 5.8% in the second half (being the run-rate during the course of FY 25), benefiting from the increase in adjusted operating profit and the lower volumes of completed historic RDP framework projects, which operated at below normal margin levels.		Adjusted EPS¹ was broadly flat in FY 25, with the improvement in adjusted operating profit¹ and lower share count following the share buyback programmes offset by a higher adjusted effective tax rate and lower net interest income.		Free cash flow in FY 25 reflected year-end timings of working capital as well as higher tax payments, partially offset by lower pension deficit contributions and capital expenditure payments.		Following several years of improving safety performance to industry-leading levels, culminating in a record performance in FY 24, we saw a rise in our LTIR to 0.16 in FY 25, slightly above target, although other safety metrics showed improvement in the year.		In FY 25, we celebrated Costain's 160th anniversary with an employee volunteering campaign, which benefited over 20,000 community members through 7,500 hours of employee volunteering. This contributed to the creation of over £290k of social contribution.		In FY 25 absolute emissions decreased by 41% year on year and when normalised by turnover (tCO ₂ e/£m) emissions reduced by 46% compared to our 2021 baseline.	

¹ See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.
² See page 31 for details of a restatement related to the past four years' greenhouse gas emissions data.

S172 Statement

Engaging with our stakeholders

Our commitment to stakeholders

We set out here how we engage with each of our stakeholder groups. 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 20 to 21 shows how the Directors have performed their duties under Section 172 of the Companies Act 2006, having regard to a range of stakeholder feedback.

Signed by the Board
9 March 2026



Workforce

HOW WE ENGAGED

- Board members, including the newly appointed Workforce Engagement Director, took part in site visits and Q&A sessions with our people.
- We held two leadership impact days where people took part in health and safety and engagement discussions (attended by Board members).
- We held two all-employee webinars, giving employees a chance to put questions to the Executive Board and hear an update on Group strategy.
- We conducted our annual Group-wide engagement survey and continued our Your Voice employee forum.
- We developed and enhanced our new HR system and delivered tailored training sessions to improve the user experience.
- We launched and rolled out our Career Pathways initiative.
- Developed skills, capabilities and talent, such as with the Empower, First-Time Line Managers, Emerging Leaders and Accelerate development programmes.
- The Workforce Engagement Director took part in a celebration of Women in Engineering day.
- The CEO is the Infrastructure sector representative on the government's Construction Skills Mission Board, which is focused on building the skills and capability needed to realise the delivery of resilient, sustainable infrastructure in the UK for future generations.



Customers

- The Board received presentations on major customers to understand opportunities and challenges, together with work-winning updates on multiple other customers from across the business.
- Our CEO engaged with most of our major customers, including HS2, National Highways, Heathrow, Babcock, Southern Water, Anglian Water, bp and Cadent, and our Chair met with the chair of HS2.
- We took customers on site visits to flagship projects, helping to showcase our capabilities and the quality of work across our portfolio.
- We attended strategic customer events such as the opening of the eastern region of Tideway, as well as industry associations events.



Shareholders

- Our Chair met with significant shareholders holding a total of 33% of the Company's shares.
- The CEO and CFO held 42 meetings with investors and potential investors, including the holders of around 45% of the Company's shares. Meetings were held physically and virtually, both on a one-to-one and a group basis, following the announcement of our full-year and half-year results and at broker conferences.
- Members of the Executive team, together with the CEO and CFO, met with analysts and significant shareholders at a Heathrow site visit in June 2025.
- The Chair of the Remuneration Committee engaged with our largest shareholders in connection with the refresh of the Director's Remuneration Policy.



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.
- 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.
- 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 such as health and safety, carbon, modern slavery and sustainable procurement.
- 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.



Communities and environment

- The Board is updated at each meeting with a SHE and Sustainability Report and undertook a deep dive on sustainability in 2025.
- The Board has also now established a Sustainability Committee to provide additional oversight and guidance with respect to our sustainability strategy and actions, and to ensure they receive the time and attention they deserve.
- To keep connected with societal challenges four Costain colleagues serve as regional board members for Business in The Community (BiTC). The CPSO is serving as a member of the BiTC wellbeing leadership group and the CEO is a member of the leadership council.
- In 2025, the CEO, CFO and an MD attended prison visits with Key4Life and the CEO additionally attended a community visit close to Costain's bp project in Teesside with other business leaders, to understand the specific challenges in this community.

DISCUSSIONS AND ACTIONS

- Q&A topics include strategy, future pipeline of work and capacity and capability required to deliver it, safety, wellbeing and internal mobility.
- Addressing some of our key risks and strategic priorities, the leadership impact day themes were based around 'safety', 'wellbeing' and 'engagement'.
- 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.
- The Your Voice forum focused on key themes: HR system, expenses and subsistence policies, communication and other policies.
- The Workforce Engagement Director delivered a report after each site visit and formally reported back to the Board twice during the year.
- Deep dives into Senior Leadership Talent and Skills and Contingency Planning/ Succession.

- We are spending more time with our customers, ensuring we are helping them meet their needs.
- A deep dive on securing new work and responding to changes in customer spending plans.
- Held a panel discussion with Chief Economist and Head of Research of Panmure Liberum and Global Head of Infrastructure at KPMG on our market future and outlook.

- We engaged with shareholders on current trading, market developments, the UK Government's Infrastructure Strategy, margin progression, dividends, capital allocation, remuneration policy and the £10m share buyback in the summer of 2025.
- We addressed shareholder queries ahead of, and during, the AGM.
- A new 'Introduction to Costain' presentation was published to assist prospective investors in understanding the business and investment case.

- How-to-Buy (H2B) processes, governance and coverage were fully embedded across plant and materials, ensuring leaner processes, greater transparency and more consistent application of policy. H2B processes were also relaunched for subcontracts and indirects to improve predictability and control.
- We refreshed our sustainable procurement and supply chain policy, positioning sustainable procurement as a strategic enabler aligned to ISO 20400.
- We have developed clear performance reporting to ensure clarity as to supplier performance and are seeing an increase in performance scoring underpinned by a strengthened Supplier Relationship Management (SRM) approach.
- Category management was refined in 2025 at both direct and indirect levels. Working with our supply chain we identified best-in-class activities across categories and category strategy priorities to support our aim to achieve predictable delivery across the supply chain.

- Our local communities have been keen to discuss construction activity, opportunities for local businesses, community skills programmes and job opportunities.
- 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.
- Costain senior leaders took part in various BiTC events.
- The Board received a presentation from an Oxford University Professor of Climate and Environmental Risk to the Board at our Strategy Day.

OUTCOMES

- We had a 75% response rate to our engagement survey (consistent with our response rate in FY 24), giving us good insight into the things our people value about Costain and what they would like us to focus on to improve their employee experience further.
- We have used workforce feedback (eg from the engagement survey, Your Voice employee forums and line manager briefings) to inform targeted actions.
- We have listened to employee feedback on the new HR system to improve processes such as performance appraisal during the year.
- Following feedback from a site visit to Heathrow our Workforce Engagement Director undertook a visit to the night shift at Heathrow.

- Our forward work position has reached a record level of £7.0bn.
- We use working groups to better support our customers with upcoming projects, emphasising the importance of best-in-class delivery for customers.
- We refreshed our strategic business plan to take into account our customers' changing requirements.
- We transferred learning from one sector to another through lessons learned workshops and by moving team members to maximise cross-sector learning.
- We were recognised for our activities by winning awards and accreditations, such as our A30 team winning the 2025 Health, Safety and Wellbeing Excellence award at the Construction News Awards.

- The Board received an update from its financial advisers on market challenges, the competitive landscape and any opportunities for growth. Separately, our brokers also provided an update on capital allocation options and provided shareholder feedback after both the half-year and full-year results announcements.
- We returned £10m to shareholders through the repurchase of ordinary shares in FY 25. On 10 March 2026, we plan to announce a return of a further £20m to shareholders during FY 26 via an on-market share buyback programme.
- During the year, our share price increased by 51% from 106 pence to 160 pence per share.

- Company car fleet emissions reduced by 26g/km CO₂, with 98% of the company car fleet on the road now ULEV/LEV, evidencing tangible progress on low-carbon procurement choices.
- Strategic, production-led engagement included visits to key manufacturing facilities and early contractor involvement workshops on schemes such as the M60 Simister Island, with suppliers shaping modular and offsite solutions to feed into Costain's service offering.

- Recognised by the Considerate Constructors Scheme, averaging 45.7 compared to the industry average of 41 (out of 50). Every contract has an individual or team responsible for community/stakeholder relations.
- We have been named one of Europe's Climate Leaders by the Financial Times.
- Retained the London Stock Exchange's Green Economy Mark.
- Achieved Platinum-level membership through this year's employer audit of The 5% Club with over 10% of employees 'earning and learning'.
- Creation of over £1m of social value as we implemented our social value plan and celebrated Costain's 160th anniversary with an employee volunteering campaign.

Principal decisions: case studies

The Board is well versed in their obligations under s172 and ensures all stakeholder views are understood and considered in Board discussions and decisions. Depending upon the matter at hand, this could include consideration of the views of, for example, shareholders, customers, employees, supply chain, lenders, the communities within which the Group operates, and end users of its works/services.

CASE STUDY 1

Share buyback programme launched in June 2025

Board discussions: The Board regularly reviews the Group's cash performance, ongoing capital requirements and optimal capital allocation. In June 2025, the Board discussed the results of the annual valuation of the Group's defined benefit pension scheme, which had resulted in a scheme surplus of more than 101%. This meant both scheme contributions and the 'dividend parity' arrangement were suspended from 1 July 2025 to 30 June 2026, providing the Group with the ability to return any surplus capital to shareholders without triggering a matching contribution to the pension scheme.

The Board considered the Group's uses of capital and concluded that a £10m on-market share buyback programme was an appropriate and value-enhancing use of cash, while maintaining the Group's financial flexibility to continue to invest in its strategy to deliver sustainable growth and attractive returns.

Board's consideration of stakeholder impact in reaching its decision:

In reaching its decision, the Board obtained advice from its joint brokers and considered shareholder feedback that highlighted a desire for surplus capital to be returned to shareholders, provided that the Group retained a strong net cash position to provide appropriate headroom to manage working capital, confidence to our customers and supply chain, and resilience in connection with the Group's operations.

The Board also noted that it had implemented a £10m on-market share buyback programme in 2024 following the valuation of the Group's defined benefit scheme in the preceding year, which had been well received.

The Board considered that, over the past three years, the Group had improved the quality and size of the Group's contract portfolio, delivered on its margin targets, significantly strengthened its net cash position (from £123.8m at the end of FY 22 to £158.5m at the end of FY 24), and in May 2025 it had successfully refinanced its bank and bonding facilities. In the Board's view, this gave the Group the financial strength and capability to support its future growth opportunities, while returning £10m of capital to shareholders via an on-market share buyback programme and still retaining significant headroom for investment.

A share buyback programme was preferred over a special dividend as it gave more flexibility than a special dividend, being capable of being adjusted or halted part way through if alternative superior uses of capital were identified.

Key stakeholder groups:



Key stakeholder groups:

CASE STUDY 2

Workforce Engagement Director

Board discussions: The Board discussed whether it should nominate a Board member with specific responsibility for workforce engagement. It was decided that, while all Board members would still seek to attend operational site visits, and to engage with our workforce, it would nominate a Director with specific responsibility for workforce engagement. Amanda Fisher took on the role with effect from 4 March 2025.

Board's consideration of stakeholder impact in reaching its decision:

The Board considers that an engaged and thriving workforce is vital to maintaining a successful and sustainable business. In deciding that Amanda Fisher would take on the role of Workforce Engagement Director, the Board considered the existing workforce engagement activities undertaken by its members. This includes receiving a people report (not limited to Costain employees but also including subcontractors and agency workers) at each Board meeting, receiving a detailed briefing on the results of the Group's annual employee engagement survey and a range of existing engagement activities, such as the bi-annual safety, health and environment impact days, as well as other site visits. However, there was not a Non-Executive Director with specific responsibility for representing the views of the workforce at Board meetings.

The Board recognised that other boards have found this a useful practice, and it is one of the methods for hearing the employee voice specifically recognised by the UK Corporate Governance Code. Moreover, given the crucial importance of a diverse, engaged and thriving workforce in meeting the Group's objectives, the Board considered the role would benefit not just Costain's employees, sub-contractors and agents, but also benefit Costain's customers and shareholders by aiding the delivery of these objectives and promoting the long-term success of the Group.

Key stakeholder groups:



CASE STUDY 3

Decision-making in relation to key customer

Board discussions: During the year, the Chief Executive Officer met regularly with the project team to discuss rephasing of works for the programme, the customer's spending priorities, productivity levels, maintaining the morale of the employees and supply chain and health, safety and environment performance. The outcomes of these discussions were reported regularly to the Board via the Chief Executive Update. The Board discussed the project in detail on multiple occasions during 2025, including at the Board Strategy Day when key trends in our customer base were discussed.

Board's consideration of stakeholder impact in reaching its decision:

The Board noted the importance of hearing the customer voice in Board meetings. It enabled the Board to have visibility of the customer's needs, to adapt corporate strategy accordingly, considering the relevant interests of all affected stakeholders, and to agree and monitor the action plan, which included optimising project resourcing to align with the revised project timetable.

Key stakeholder groups:





Sustainability

Our sustainability performance

Being a sustainable business is fundamental to Costain's purpose of improving people's lives and meeting our customers' expectations, and is central to our mission to create infrastructure for a more prosperous, resilient and decarbonised future.

Costain is a trusted delivery partner to the owners and operators of the UK's transport, energy, water, and defence infrastructure. We know that sustainability is a business imperative and, if done well, can be a competitive advantage, reducing risk and costs. It also helps us attract the best people and secure new business.

To ensure we are prioritising action on the most important issues to Costain and our stakeholders, we complete a periodic 'double materiality assessment'. This assessment enables us to understand the issues that Costain has significant impact upon and also those issues that impact Costain's business operations.

Our sustainability programme brings together the sustainability issues materially important to Costain, with clear 2030 goals (see table below). Our sustainability programme is underpinned by policies, plans and milestone targets.

2025 summary

The safety of our people is a core value and an important component of our sustainability programme. Following several years of improving safety performance to industry-leading levels, culminating in a record performance in 2024, we saw a rise in our lost time injury rate (LTIR) to 0.16 in 2025 from 0.11 in 2024, although other safety metrics showed improvement in the year.

In January 2026, the inaugural Sustainability Committee approved our decarbonisation and nature positive plans. These plans set the near-term actions required to maintain progress towards our goal to achieve net zero greenhouse gas emissions by 2045.

In 2025, we made good progress towards our 2030 goals. We are pleased to report a reduction in our gender and ethnicity pay gaps, reflecting the work undertaken to attract, retain and develop diverse talent.

While our small and medium enterprise (SME) spending reduced year-on-year, there were a notable number of suppliers reclassified as large businesses in 2025, materially impacting our spend profile.

We created over £600k of social value in 2025 and celebrated Costain's 160th anniversary with an employee volunteering campaign, which benefited over 20,000 community members through 7,500 hours of employee volunteering.

We've maintained our strong environmental performance, reducing incidents, waste and water withdrawal. For 2025, we are pleased to report a 41% year-on-year decrease in emissions and continued improvements to data collection, which has significantly improved since the introduction of our Environmental Construction Data Tracker in 2024. This is now giving us a more complete picture of our emissions. We were pleased to retain the Green Economy Mark in 2025, a recognition of our revenue continuing to exceed the 50% 'green revenue' threshold.

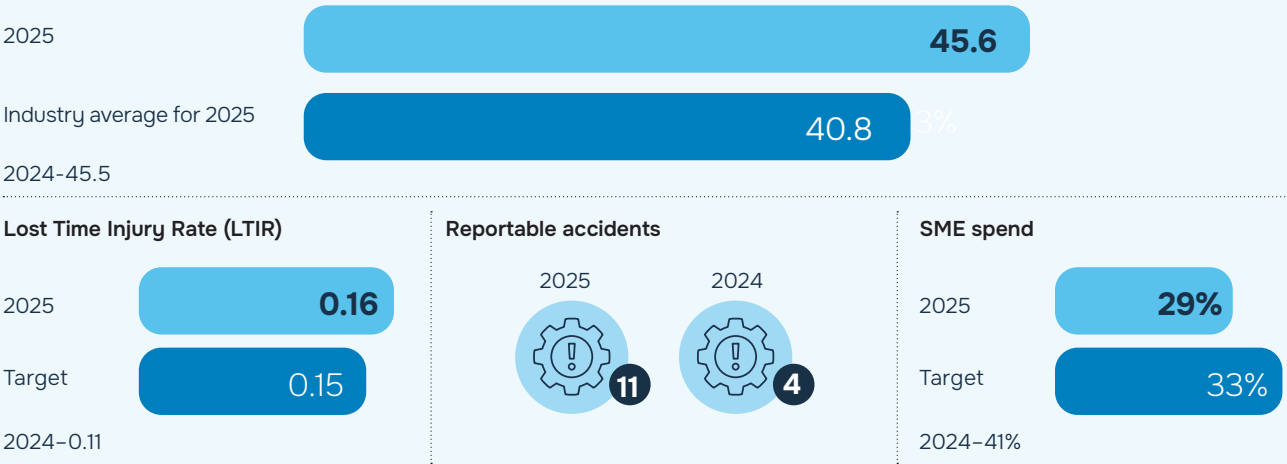
Pillar	Material issue	2030 goal
Being a responsible business	Employee health and safety	Eliminating harm in all we do
	Ethical corporate behaviour	Our stakeholders rate us as a responsible business
	Sustainable procurement	Our procurement is driving supplier emissions reductions and increased social value
Safeguarding our planet's future	Decarbonisation and climate change resilience	42% reduction in absolute emissions (Scope 1, 2 and 3) against a 2021 baseline
	Nature	Make a measurable contribution to nature positive
	Resource efficiency	30% reduction in water and waste from operations against a 2024 baseline
A trusted employer and community partner	Employee diversity and inclusion	A psychologically safe workplace with an engaged, thriving and representative workforce
	Community and social value	Through the duration of this strategy, our solutions and social value programmes will improve over one million lives
	Skills	Support the skills development of 500 individuals to gain meaningful employment

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

Our 2025 progress and performance

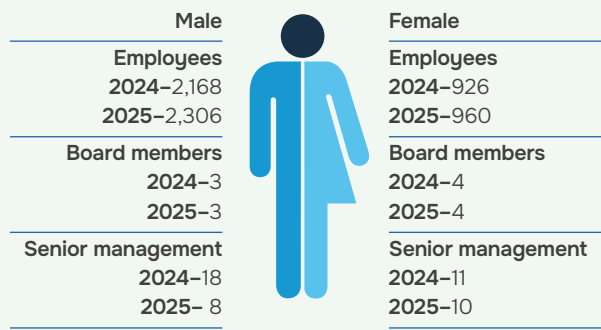
Being a responsible business

Considerate Constructors Scheme



A trusted employer and community partner

Diversity of our workforce



Social contribution



Safeguarding our planet's future

Emissions intensity (Gross tCO₂e divided by turnover)

	Metric tonnes of CO ₂ e/£m				
	2025	2024	2023	2022	2021
Scope 1	5.38	3.81	3.66	4.52	10.14
Scope 2	2.36	0.71	0.97	0.67	0.91
Scope 3	159.46	232.98 ¹	216.72 ¹	282.6 ¹	296.84 ¹
Total	167.21	237.51 ¹	221.35 ¹	287.79 ¹	307.88 ¹

Environment Incident Frequency Rate



Water withdrawal m³



² 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.

Delivered green revenue in >50% of turnover

0 major environmental incidents

¹ Please see page 31 for details regarding restated GHG data.

Sustainability continued

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

We are deepening our analysis of climate impacts to support Costain’s ambition to lead the delivery of low-carbon infrastructure and accelerate the UK’s transition to net zero.

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 2025.

While these disclosures are not third-party assured, our greenhouse gas (GHG) emissions data (see page 31) has been third-party accredited by Achilles per the Toitu Carbon Reduce scheme and ISO 14064-1 and 3.

Pillar	Disclosure response
Governance	Costain’s climate-related governance arrangements are outlined on page 25, where we describe the responsibilities of the Board and Executive Board in overseeing and evaluating climate-related risks and opportunities.
Strategy	Our climate-related risks and opportunities are presented on pages 28 and 29, and our scenario analyses are outlined on page 27.
Risk management	Our climate risk management approach is embedded within our wider risk framework. We outline our risk management process on page 34, followed by additional detail on Costain’s principal risks – including those related to climate change – on pages 36 to 39.
Metrics and targets	The metrics used to track our transition to net zero, assess climate-related risks and support client decarbonisation are provided on page 30. Costain’s greenhouse gas emissions are disclosed on page 31, with further detail available in our separate Sustainability Report.

[We provide a more detailed update on the progress we have made on Costain’s transition to net zero 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.

2025 progress
PAS 2080:2023

Costain continues to be a PAS 2080:2023-certified company following recertification this year. Alignment with PAS 2080:2023 provides a consistent, value-chain-wide approach to decarbonisation and carbon management, reinforcing clear responsibilities across projects. We continue to embed these standards, encouraging early collaboration on decarbonisation in the design process and ensuring their consistent implementation.

Carbon Design Tool

2025 saw the launch of Costain’s Carbon Design Tool, used to forecast potential carbon hotspots at the earliest stages of infrastructure design. Benchmarking emissions in line with the latest RICS guidance to optimise design alternatives, the tool links directly with our Environmental Data Tracker

to enable teams to proactively reduce carbon and track on-site performance against the design baseline.

Together, these tools create an end-to-end approach to designing out carbon access the project lifecycle.

Construction Materials Pathway

Given the materials intensity of our projects, reducing the embodied carbon associated with these is essential to reaching net zero. Our Concrete Transition Pathway sets out the steps to decarbonise concrete from a 2024 baseline, focusing on optimised design, production thinking and the adoption of new mixes and innovations.

These measures enable a consistent reduction in the embodied carbon of concrete used across our sites. For more detail, see page 30 of our Sustainability Report.

Sustainable Procurement

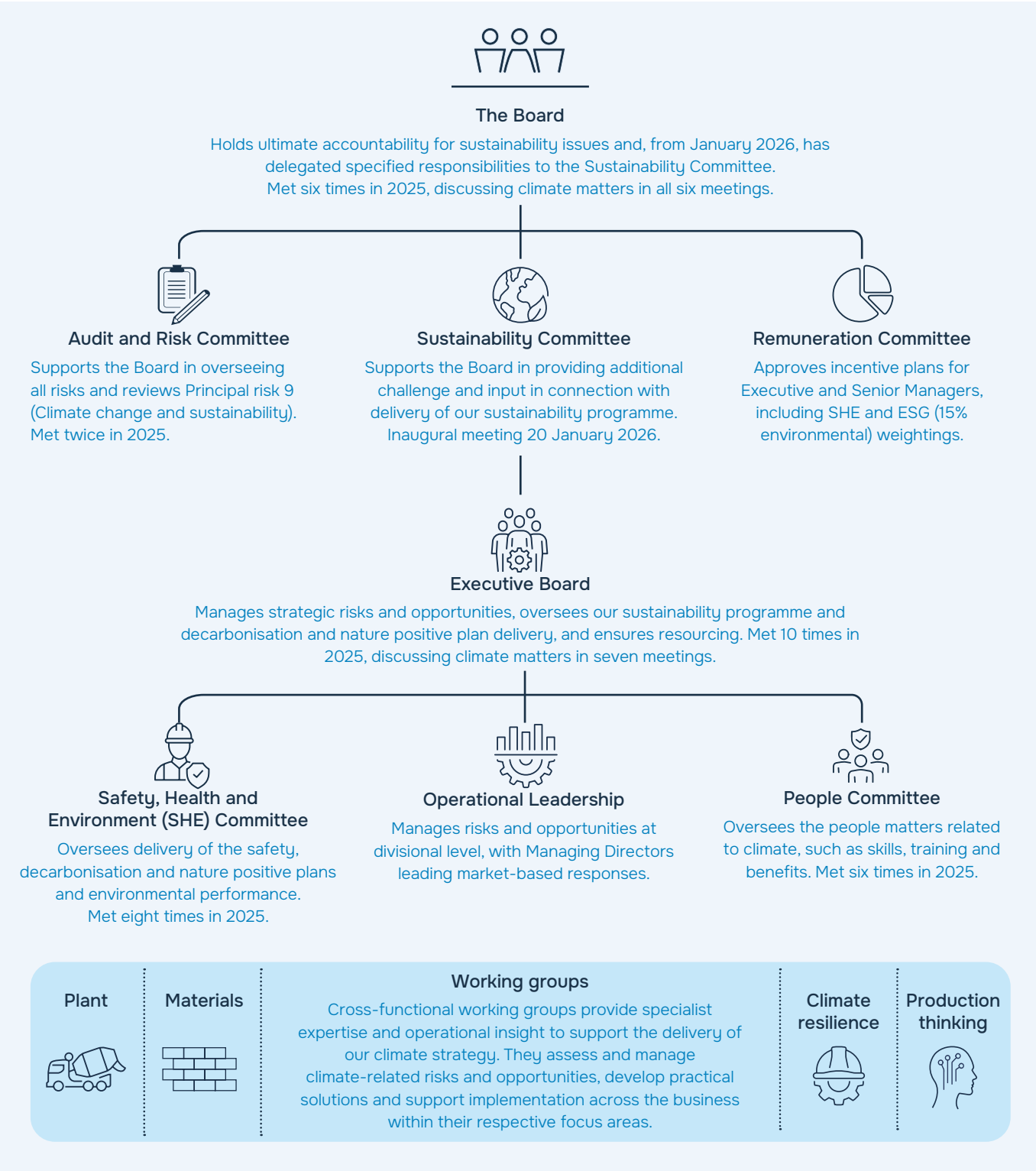
In 2025, we moved into the first phase of our 2025-2028 Sustainable Procurement Roadmap, relaunching our ISO 20400-aligned Sustainable Procurement Policy to provide a consistent framework for integrating environmental, social and governance considerations into purchasing decisions.

Our Sustainable Procurement Working Group drives awareness and pushes implementation of the policy, with sustainable procurement independently embedded into our category strategies and Supplier Relationship Management Framework to ensure it informs planning, sourcing and contracting.

Additionally, in line with our focus on resource efficiency, we implemented Safety, Health and Environmental (SHE) assurance at tender and pre-construction stages, enabling earlier and more effective identification of carbon-reduction opportunities.

Climate-related governance¹

Effective climate-related governance underpins our ability to manage risk, seize opportunity, and deliver our strategy in line with our values. Oversight begins at Board level, which retains ultimate accountability for climate-related matters and ensures our approach is aligned with wider business objectives. Our governance framework establishes a clear line of accountability and responsibility for climate-related decision making across the business. Authority is appropriately delegated through Executive leadership, management and specialist working groups to enable informed oversight and effective risk management. The organisational structure below illustrates how climate-related governance is embedded throughout Costain, from the Board to operational teams, and highlights the roles and responsibilities of those accountable for managing climate-related risks and opportunities.



¹ For full Board Governance see page 48.

Sustainability continued

Strategy

In line with the priorities of the National Infrastructure Commission’s Second National Infrastructure Assessment, the UK Government’s five missions and outlined 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 infrastructure can meet our critical national needs, delivering a more **prosperous, resilient** and **decarbonised** UK. See pages 8 and 9 for more information on Costain’s strategy and business model.

A decarbonised UK

We’re supporting the UK’s energy transition, accelerating low-carbon technologies and creating infrastructure to support a net zero future. Using low-carbon engineering, efficient use of resources and circular economy principles, we deliver sustainable infrastructure, with biodiversity net gain targets where relevant.

Costain was awarded a design services contract by Urenco for Europe’s first advanced uranium fuels production facility. In doing so, our civil nuclear and engineering team will help create a more secure, resilient and decarbonised energy supply for the UK. This facility will produce the specialist fuel needed to support the development and deployment of the next generation of nuclear reactors, with our expert engineers working collaboratively with partners to make this future a reality.

A more resilient UK

We’re collaborating with customers, partners and our supply chain to help the UK adapt and thrive in an uncertain world, safeguarding communities against extreme weather, supporting the UK’s energy independence and national security.

Costain is a leading partner along with Farrans, Jacobs, and Mott MacDonald Bentley of the Strategic Pipeline Alliance (SPA), delivering 580km of new pipeline for Anglian Water by 2030. Together we are enabling the crucial transfer of water from ‘wetter’ parts of the Anglian region in North Lincolnshire to ‘drier’ parts, including Cambridgeshire, Suffolk, Norfolk and Essex.

Anglian Water’s interconnector programme will play a vital role in safeguarding the environment by reducing reliance on water abstraction from sensitive areas, including chalk streams, to create sustainable water supply for generations. This forms part of Anglian Water’s largest ever programme of work worth £11bn.

On pages 28 and 29 we have set out and described the climate-related risks and opportunities to Costain over the short (0–3 years), medium (3–10 years) and long term (10 years+).

Resilience of Costain’s strategy to climate change

We have identified climate-related risks and opportunities facing Costain, assessed against a change in temperature of 2°C or lower scenario.

Our strategy continues to demonstrate resilience across these risks, and we are well positioned to respond to growing market demand as our customers seek to strengthen the climate resilience of their infrastructure. In all scenarios analysed, the opportunities presented outweigh the risks identified.

[Discover more about Costain's Paris Agreement-aligned carbon targets - see our decarbonisation plan/ **www.costain.com/sustainability**](#)

We see considerable potential to shape and deliver lower-carbon solutions for our customers and continue to invest in developing the skills and capabilities needed to meet this challenge and support the transition to net zero. We are further strengthening the resilience of our strategy by embedding consideration of physical climate risks into the planning and delivery of our projects.

Our strong capability in climate adaption, particularly through extensive work in the water sector, enables us to support clients in designing and delivering infrastructure that is more resilient to future climate conditions.

Impact on financial statements

We continue to monitor our contractual position associated with the cost of lower-carbon materials and fuels, and we work closely with customers and suppliers to manage these impacts. These costs primarily relate to the current price premium for certain low-carbon alternatives, such as hydrotreated vegetable oil (HVO), which is not consistently recognised as an allowable cost across all contracts.

At present, we do not consider these cost impacts to be material. Robust risk management processes are embedded across the business to identify, assess and manage climate-related risks, supporting predictable project delivery and helping to mitigate potential impacts on our financial performance and position.

Going concern and viability

While climate change is recognised as one of Costain’s principal risks, the expected impact on operating costs over the periods considered for going concern and viability assessments is not regarded as material. Based on the outcomes of our scenario analysis, we do not anticipate that climate change will have a material effect on the Group’s short- to medium-term viability.



Scenario analysis

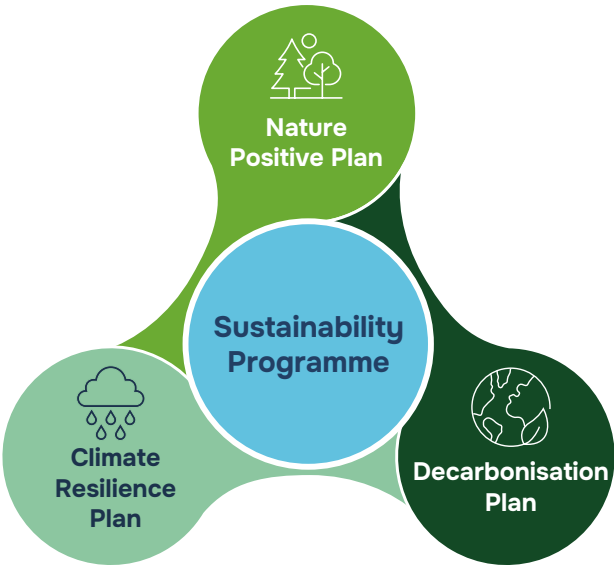
Understanding and navigating the complexities of climate change and their possible impacts on our business requires assessment of, and preparation for, a range of possible futures. As such, we continually undertake scenario analysis to evaluate potential impacts of climate-related risks, and to develop targeted adaption and mitigation strategies. Below are some of the scenarios analysed over the past five years, ranging from physical risks to specific strategic measures that could be implemented in the transition to net zero.

Scenario	Description	Identified potential impacts	Response
1. Chronic increase in extreme heat	Assessment of the impacts of a sustained increase in extreme heat on workforce productivity and material performance.	- Reduced productivity due to heat stress. - Decreased durability and resilience of materials and equipment.	Addressed through our risk assessment (see risk 1, page 28).
2. Increased precipitation and storm frequency	Assessment of the impacts of increased rainfall intensity and frequency of storm events.	- Damage to site infrastructure, equipment and materials. - Programme delays resulting in financial loss or customer affordability issues.	Addressed through our risk assessment (see risk 1, page 28).
3. Introduction of carbon taxation	Assessment of the potential impacts of the introduction of a carbon tax on construction activities and materials, as is of higher importance given the imminent introduction of the UK Carbon Border Adjustment Mechanism (CBAM).	Increased cost of carbon-intensive raw materials (e.g. cement, concrete, steel).	Addressed through our risk assessment (see risk 3, page 28). Low-carbon concrete alternatives considered in later concrete analysis - see scenario 6 below.
4. Increased customer investment in climate-resilient infrastructure	Assessment of Costain's potential emissions intensity profile based on different revenue projections with increased customer capital spending on infrastructure resilience.	- Higher revenue and construction activity increase Costain's total emissions. - Potential delay to Costain's pathway to net zero.	Our new decarbonisation plan is informed by and addresses this. Please see the plan for more detail.
5. Transition to HVO as a primary fuel	Assessment of a full transition from diesel and gas to hydrotreated vegetable oil (HVO).	- Cost and carbon savings. - Risk of increased deforestation associated with HVO feedstock cultivation. - Significant emissions from burning phase of HVO creation.	Continued investment in HVO as a transitional fuel, alongside ongoing assessment of alternative, more sustainable fuel options.
6. Adoption of low-carbon concrete	Assessment of switching from conventional cement-based concrete to low-carbon alternatives, considering the high carbon intensity of cement.	- Potential increase in costs due to reliance on specific low-carbon materials. - Carbon emissions reductions.	Increased use of a diverse range of low-carbon material options, alongside promoting innovation to develop and scale viable solutions.

Updated plans

In 2025, we developed our Decarbonisation Plan as an update to our 2019 Climate Change Action Plan, setting out the priorities and actions for the next five-year period for Costain on its net zero pathway. The Sustainability Committee approved the Decarbonisation Plan, along with our first Nature Positive Plan, in January 2026.

We recognise there is a deep connection between nature loss and climate change, and we are bringing together our approaches to mitigation, adaptation, and nature-based solutions to help build a nature-positive, decarbonised future. These plans form an important part of our sustainability programme and our transition planning. We report progress against our sustainability programme in our annual Sustainability Report.



Sustainability continued

Climate risks and opportunities

The following table outlines the most material climate-related risks and opportunities identified in the short, medium and long term, considering both physical and transitional impacts of climate change and the transition to a low-carbon economy. Costain’s processes for identifying, assessing and managing climate-related risks are consistent with all Group risks, including the Climate change and sustainability risk. For further details on this risk and how Costain approaches risk management, please see pages 34 to 39.

Risks

Risk	Description	Mitigation
1. Increased frequency and severity of extreme weather events ST MT P A	The latest climate data shows that the UK is experiencing an unprecedented increase both in the frequency and intensity of extreme weather events, including flooding, storms, droughts and heatwaves. These events can disrupt construction schedules, cause damage to assets and sites, and heighten health and safety risks. Flooded or frozen ground can render sites inaccessible or unsafe. Delays from such events, as well as wind and rainfall, can increase project costs and insurance premiums.	Costain is embedding climate risk measurement into project controls, tracking and quantifying the lost time and cost of extreme weather events. This insight is informing project-level risk assessments and enabling earlier intervention to reduce disruption. Lessons from past events are integrated into risk models to improve planning and safety performance. Additionally, we are trialling the use of digital forecasting tools to better anticipate weather-related disruption and integrate this into project planning.
2. Supply chain volatility to climate and transition impacts ST MT P T C M	Climate change and the global transition to a low-carbon economy are increasing volatility in supply chains for critical materials, products and skilled labour. Extreme weather events can disrupt logistics networks or manufacturing capacity, while growing demand for low-carbon materials such as green steel, cement substitutes, and renewable fuels may create shortages or price escalation. These pressures could lead to project delays, increased procurement costs and reduced ability to meet customer expectations on programme and sustainability performance.	Costain is strengthening supply chain resilience by mapping climate-related risks across key suppliers and materials, identifying critical dependencies and alternative sourcing options. Our scenario analysis on concrete use has enabled us to better understand feasible material options and balance carbon reduction with affordability. We collaborate closely with suppliers to enhance transparency of carbon data and to develop low-carbon material solutions. Long-term partnerships and framework agreements are being prioritised to secure access to sustainable products and minimise cost volatility. Our supply chain assurance processes now include climate resilience and sustainability criteria, supported by proactive engagement to build capability and resilience within our partner network.
3. Increasing carbon pricing and regulatory requirements ST MT T PL	Strengthened carbon pricing mechanisms, embodied carbon reporting obligations and regulatory decarbonisation measures could increase operational and supply chain costs, with possible fines for non-compliance. The UK Carbon Border Adjustment Mechanism (CBAM) will begin phasing in cost impacts from January 2027, increasing prices for carbon-intensive imported materials such as steel and cement.	Costain’s SBTi-validated carbon targets and net zero roadmap ensure alignment with regulatory change. We are implementing PAS 2080:2023 carbon management standards and collaborating with customers and suppliers to reduce embodied carbon. Our Environmental Data Tracker and Carbon Design Tool work together to identify emission hotspots and mitigate exposure to carbon taxation.
4. Long-term climate impacts on working conditions and infrastructure assets LT P C	Rising average temperatures, more frequent heatwaves and potential sea level rises will affect working conditions and infrastructure resilience. Productivity may fall during extreme heat and may require additional costs to maintain safe working conditions. Higher temperatures and changing moisture patterns may accelerate deterioration of materials such as asphalt, concrete and timber, increasing maintenance costs and affecting asset longevity.	We collaborate with academic and industry partners to assess climate resilience of materials and construction methods under projected climate conditions. As part of this, we have developed a Concrete Transition Pathway to identify lower-carbon and more climate-resilient alternatives. We conduct reviews of asset and material resilience under extreme conditions and work with clients to adapt designs for long-term durability.
5. Misalignment with changing customer procurement preferences MT T M	Customer expectations around sustainability are evolving rapidly, though some continue to prioritise lowest-cost procurement, which may disincentivise the adoption of low-carbon designs, materials, and delivery approaches. Conversely, others are increasingly selecting partners based on demonstrable progress toward net zero and sustainability credentials. A lack of agility or alignment with either customer segment could result in reduced competitiveness.	Costain is embedding PAS 2080:2023 carbon management principles where possible across projects and supply chain to clearly evidence both cost and carbon benefits. Our enhanced carbon management system and digital carbon tracker quantify whole-life cost efficiencies from low-carbon designs, enabling us to demonstrate that sustainable solutions can also be the most cost effective. We continue to collaborate closely with customers to develop commercially viable, low-carbon solutions and advocate for procurement approaches that balance cost, performance and environmental impact.

★

New

ST

Short term (0-3 years)

P

Physical

R

Reputational

PL

Policy & Legal

↑

Updated

MT

Medium term (3-10 years)

T

Transition

A

Acute

No change

LT

Long term (10+ years)

C

Chronic

M

Market

Risk	Description	Mitigation
6. Lack of availability of low-carbon, affordable plant and equipment ST MT T R	As the industry moves towards low-carbon operations, limited availability, affordability and infrastructure for low-carbon plant and vehicles may constrain project delivery and increase hire costs. Regional disparities in supply may increase capital expenditure. This may also impact our ability to meet customer expectations on emissions reduction.	Costain continues to trial and deploy low-carbon equipment, working with suppliers to improve technology access and charging infrastructure. Our current delivery model relies on hiring equipment through strategic supplier partnerships, with the use of modern, efficient and low-carbon plant embedded as a requirement within our contracts. Training programmes ensure safe and efficient use of new equipment. Design optioneering allows us to put forward sustainable construction methodologies to customers.

Opportunities

Opportunity	Description	Realisation
1. Expansion of asset resilience and adaptation services ST MT M P	Rising climate risks will drive greater demand for resilient and adaptive infrastructure solutions, including flood defences, water resilience and drainage systems. Costain can leverage its expertise to help clients futureproof assets against extreme weather and long-term climate stressors.	Collaboration with water companies under AMP8 will enhance our water treatment and sewage capabilities, and we will expand our expertise and capabilities in road network resilience. Close collaboration with clients and the supply chain supports high-quality delivery and continuous improvement in asset resilience. We participate in, and encourage, knowledge sharing with partners to better our delivery of nature-based solutions and strengthen our long-term market position.
2. Increased resource efficiency and circular economy benefits MT T M	Circular economy principles reduce greenhouse gas emissions, waste and costs through efficient resource use. Renewable and low-carbon energy sources on projects deliver whole-life cost efficiencies. Greater energy and water efficiency will lower operational expenditure, while aligning with Costain’s net zero goals.	Costain’s approaches to production thinking and sustainable procurement are driving material efficiency and waste reduction. As part of this there is a focus on water withdrawal, and we are currently performing better than our water reduction targets based on our 2023 baseline. As part of our waste reduction efforts, we enhanced our internal waste reporting system to improve granularity and accuracy, enabling better identification of waste hotspots and opportunities for reduction and reuse. 2025 saw the full roll out of our Environmental Construction Data Tracker, which has been instrumental in managing resource use, enabling us to detect and remedy inefficiencies across projects.
3. Growth in low-carbon and sustainable infrastructure solutions MT T M	The transition to net zero and increased public and private investment in decarbonised infrastructure create significant opportunities for Costain to design, deliver and maintain low-carbon assets across transport, water and energy sectors. By becoming a driving force in low-carbon infrastructure, we can gain a competitive edge over peers.	Costain continues to build capability in sustainable engineering, investing in skills and tools that deliver measurable carbon reductions. Our Environmental Construction Data Tracker is helping to reduce carbon and supporting insights for our clients on their infrastructure. Our work with clients supports the decarbonisation of new and existing assets, positioning Costain for future large-scale green infrastructure programmes.
4. Building market-leading sustainability and nature-based delivery capabilities MT LT T	The transition to a low-carbon and climate-resilient economy requires new technical, digital and sustainability skills across sectors. Developing a workforce with advanced sustainability and nature-based design skills is essential for maintaining competitiveness and attracting future talent.	Costain is embedding sustainability competencies into its training, leadership and professional development programmes. We are upskilling engineers, project managers and commercial teams in carbon literacy and low-carbon engineering. Teams are being trained to integrate biodiversity considerations and nature-positive designs into infrastructure solutions. Through our new Geographical Information System (GIS), teams are now able to geographically evaluate nature risks and opportunities at an early stage, enabling more targeted and effective nature-based interventions and lowering cost for our customers. Additionally, collaboration with academic institutions and industry partners supports knowledge sharing and innovation in low-carbon engineering. Our focus on a just workforce transition ensures employees are supported as technologies and practices evolve, building long-term organisational capability and resilience.

Sustainability continued

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 28 and 29. On page 31 we disclose our greenhouse gas emissions, and below we discuss our 2025 emissions reduction performance.

Targets	Metrics	2025	2024
Deliver a >6% year-on-year reduction in our absolute emissions	Greenhouse gas emissions Scopes 1, 2 and 3. This metric is associated with our near-term Science-based Target.	-41%	-1%
100% of relevant contracts working in accordance with PAS 2080	% of contracts compliant with 2023 low-carbon materials mandate. % relevant designs and delivery contracts have a carbon baseline and reduction plan.	89% 100%	98% 100%
50% reduction in the water pollution incident rate by the end of 2027 (compared to 2024 baseline)	Water pollution environmental incident rate (no. of water pollution incidents normalised by total hours worked).	0.01	0.06
Employees understand their role in helping Costain to meet net zero	Positive responses to Costain's annual employee engagement survey question, - 'I am aware that environmental sustainability, including reducing carbon emissions, protecting biodiversity, minimising waste, and using resources efficiently is a priority for Costain'.	87%	New
	Positive responses to Costain's annual employee engagement survey question, 'I am clear on the actions I can take in my role to support Costain's environmental sustainability goal'.	78%	New

Our performance

The controls implemented to strengthen our ability to mitigate water pollution incidents coupled with a reduction in large earth-moving activities has seen the water incident frequency rate dramatically fall by 87% compared to the 2024 baseline year.

We remain focused on raising the climate literacy of our people and are pleased to see that the majority of colleagues when asked in our annual employee engagement survey understand Costain's sustainability priorities and their personal responsibilities in meeting these goals.

Delivering contracts as per our PAS 2080 management system is crucial not only in support of Costain's transition to net zero emissions, but also ensuring our customers receive the solution that meets their needs. Our PAS 2080 compliance metric is an important management indicator and is monitored at the monthly Executive Safety, Health and Environment Committee.

In 2025, total emissions fell by 50% from the 2021 base year and 41% year on year. We remain ahead of our net zero transition pathway driven primarily by a sustained reduction in Scope 3 emissions. Despite this progress, our emissions profile remains heavily weighted toward our value chain activities.

Costain's Scope 1 emissions fell 51% against the base year due to shifting construction activities and improved operational efficiency, however, they rose slightly year on year as HVO usage dropped from 68% to 60% of bulk fuel consumption, driven by rising costs and customer transitions. Following a 2025 review, we will prioritise 100% used cooking oil-derived HVO as a transition fuel. Diesel remains our largest Scope 1 emission source; our 2026 focus is efficiency and phasing out all fossil and bio-fuels.

Scope 2: While currently a small proportion of overall emissions, these emissions rose against the base year. This reflects emissions moving from Scope 1 to 2 as a result of the electrification of our car fleet (96% EV/PHEV) and the inclusion of more comprehensive project electricity data for 2025.

Scope 3 emissions remain our most significant source, accounting for 97% of the total. Category 1 (Purchased Goods and Services) drives the majority of these emissions, with concrete and steel remaining key contributors.

To refine our methodology, 2025 data now integrates supplier carbon reports, volumetric project data, and spend-based factors. This improved data collection led to reported increases in 'upstream transportation', 'distribution', and 'waste'. We continue to leverage Environmental Product Declarations (EPDs) for materials, capital goods, and leased assets. In 2026, we will launch specific material pathways as part of our Decarbonisation Plan to target these high-impact areas.

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 Scope 1 and 2 emissions are incurred in the UK.

In line with our GHG Protocol-aligned approach the following Scope 3 categories are not included in our reported footprint as they are not relevant or have limited materiality to Costain’s operations: downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises and investments.

Emissions intensity (Gross tCO ₂ e divided by turnover)	Metric tonnes of CO ₂ e/£m				
	2025	2024	2023	2022	2021
Scope 1	5.38	3.81	3.66	4.52	10.14
Scope 2	2.36	0.71	0.97	0.67	0.91
Scope 3	159.46	232.98*	216.72*	282.60*	296.84*
Total	167.21	237.51*	221.35*	287.79*	307.88*

Scope 1 (All direct emissions from the activities under our control)	Metric tonnes of CO ₂ e/year				
	2025	2024	2023	2022	2021
Total	5,637	4,772	4,876	6,426	11,561
kWh	35,124,588	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				
	2025	2024	2023	2022	2021
Metric tonnes of CO ₂ e/year	2,476	888	1,299	958	1,302
kWh	11,785,298	3,368,323	5,542,724	4,663,809	4,787,774
Location-based tCO ₂ e	2,476	888	1,299	958	1,302
Market-based tCO ₂ e	273	193	187	56	1,697

Scope 3	Metric tonnes of CO ₂ e/year				
	2025	2024*	2023*	2022*	2021*
Purchased goods and services	159,132	281,859	277,823	390,351	327,352
Capital goods	74	93	15	33	21
Fuel and energy-related activities	2,885	3,188	3,275	4,760	5,148
Upstream transportation and distribution	2,804	4,350	4,668	3,259	3,099
Waste generated in operations	100	566	325	952	1,156
Business travel	1,403	691	1,930	1,687	1,151
Employee commuting	432	620	579	565	503
Upstream leased assets	135	95	52	80	92
Total	166,965	291,463	288,666	401,687	338,522

Total emissions	Metric tonnes of CO ₂ e/year				
	2025	2024*	2023*	2022*	2021*
Total	175,078	297,123	294,840	409,072	351,115

*Restatement of data

The restatement is a result of DEFRA conversion factors being updated in 2025. This means as Costain is currently using a spend-based methodology to calculate some Scope 3 emissions, we are required to adjust older emission data for inflation to align with current-year prices, ensuring accurate GHG conversion. We have restated GHG data from 2021, 2022, 2023 and 2024 in accordance with our accounting and reporting principles to ensure relevance, completeness, transparency and accuracy.



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

Helen Willis
Chief Financial
Officer



Chief Financial Officer’s Review

Adjusting items

Adjusting items were significantly lower in FY 25, amounting to £2.3m (FY 24: £12.0m). We incurred £0.7m (FY 24: £5.4m) of residual Transformation programme costs and £2.6m (FY 24: £0.1m credit) of restructuring costs, partially offset by a £1.0m provision release (FY24: £6.7m cost) relating to historic fire safety compliance claims.

Net financial income

Net finance income amounted to £3.8m (FY 24: £5.4m). The interest payable on loans and other similar charges was £1.8m (FY 24: £1.4m), reflecting higher bank charges on the accelerated amortisation of charges relating to our prior refinancing, and there was lower interest income on the lower bank deposits of £5.0m (FY 24: £6.7m). In addition, the net finance income includes the interest income on the net assets of the pension scheme of £3.0m (FY 24: £2.6m) and the interest expense on lease liabilities of £2.4m (FY 24: £2.5m) under IFRS 16.

Tax

The Group had a tax charge of £10.9m (FY 24: £5.9m) giving an effective tax rate of 22.6% (FY 24: 16.2%). The adjusted effective tax rate was 22.8% (FY 24: 18.3%). This is lower than the statutory tax rate due to permanent differences, including tax relief on the exercise of share-based payments. We expect the effective tax rate in FY 26 to remain marginally below the statutory tax rate of 25%.

Cash flow

The Group generated adjusted free cash flow of £63.1m in FY 25 (FY 24: £27.1m), higher than the previous year largely due to the timing of year-end working capital and lower tax and capital expenditure payments.

The Group had a positive net cash balance, excluding cash with restrictions, of £189.3m as of 31 December 2025 (FY 24: £158.5m; H1 25: £144.9m) comprising Costain cash balances of £121.6m (FY 24: £95.8m; H1 25: £85.0m), cash held by joint operations of £67.7m (FY 24: £62.7m; H1 25: £59.9m) and borrowings of £nil (FY 24: £nil;

H1 25: £nil). During FY 25, the Group’s average month-end net cash balance was £152.6m (FY 24: £169.8m; H1 25: £149.4m) and the Group’s average week-end net cash balance was £149.2m (FY 24: £164.3m; H1 25: £152.9m) with both average metrics impacted by the timing of working capital unwinds that did not reverse until the latter part of the year. Utilisation of the total bonding facilities as of 31 December 2025 was £72.4m (FY 24: £65.3m; H1 25: £71.2m).

Pensions

Cash contributions made to the Group’s defined benefit pension scheme (Scheme) during FY 25 amounted to £nil (FY 24: £2.0m). This reflected the annual actuarial assessments of the Scheme funding position carried out as at 31 March 2024 and as at 31 March 2025, both of which concluded that the funding level (on a Technical Provisions basis) was more than 101%, in turn triggering a pause in cash contributions from 1 July 2024 to 30 June 2025, and then again from 1 July 2025 to 30 June 2026.

The charge to operating profit in respect of the administration cost of the Scheme in FY 25 was £nil (FY 24: £0.1m). As at 31 December 2025, the Scheme was in surplus in accordance with IAS 19 at £60.0m (FY 24: £54.9m surplus; H1 25: £56.1m surplus). The movement in the IAS 19 valuation, being a slight increase in surplus from 31 December 2024 to 31 December 2025, was principally due to a change in inflation assumptions, which resulted in a decrease in benefit obligations.

On 26 January 2026, we announced that an agreement had been reached with the Trustee of the Scheme on the 31 March 2025 triennial actuarial funding valuation and ongoing Scheme contributions. Following this, the dividend parity arrangement that previously existed has been removed, there is no requirement going forward for an annual assessment of the Scheme funding position and there will be no further cash contributions made by the Company into the Scheme under the new schedule of contributions, which is in place until January 2031. We will continue to review options for restructuring the Scheme with the Trustee.

2025	£1,045.7m
2024	£1,251.1m
2023	£1,332.0m

Revenue

£1,045.7m

2025	£44.8m
2024	£31.1m
2023	£26.8m

Operating profit

£44.8m

2025	4.3%
2024	2.5%
2023	2.0%

Operating profit margin

4.3%

	Transportation			Natural Resources			Group		
	2025	2024	Change	2025	2024	Change	2025	2024	Change
Reported revenue £m	605.3	845.9	-28.4%	440.4	405.3	8.7%	1,045.7	1,251.1	-16.4%
Operating profit £m									
Adjusted¹	24.9	29.9	-16.7%	35.0	23.8	47.1%	47.1	43.1	9.3%
Adjusting items¹	-	-	-	-	-	-	(2.3)	(12.0)	-80.8%
Reported	24.9	29.9	-16.7%	35.0	23.8	47.1%	44.8	31.1	44.1%

Adjusted free cash flow reconciliation

£m	2025	2024
Cash flow from operations	50.7	41.7
Add back adjusting items	3.5	8.6
Add back pension deficit contributions	-	2.0
Add back / (less) cash flows on cash and cash equivalents – with restrictions	12.4	(14.0)
Less taxation	(0.7)	(2.2)
Less capital expenditure	(2.8)	(9.0)
Free cash flow	63.1	27.1

Net cash reconciliation

£m	2025	2024
Cash and cash equivalents at the beginning of the period²	158.5	164.4
Net cash flow	30.8	(5.9)
Cash and cash equivalents at the end of the period²	189.3	158.5
Net cash	189.3	158.5

Helen Willis

Chief Financial Officer

9 March 2026

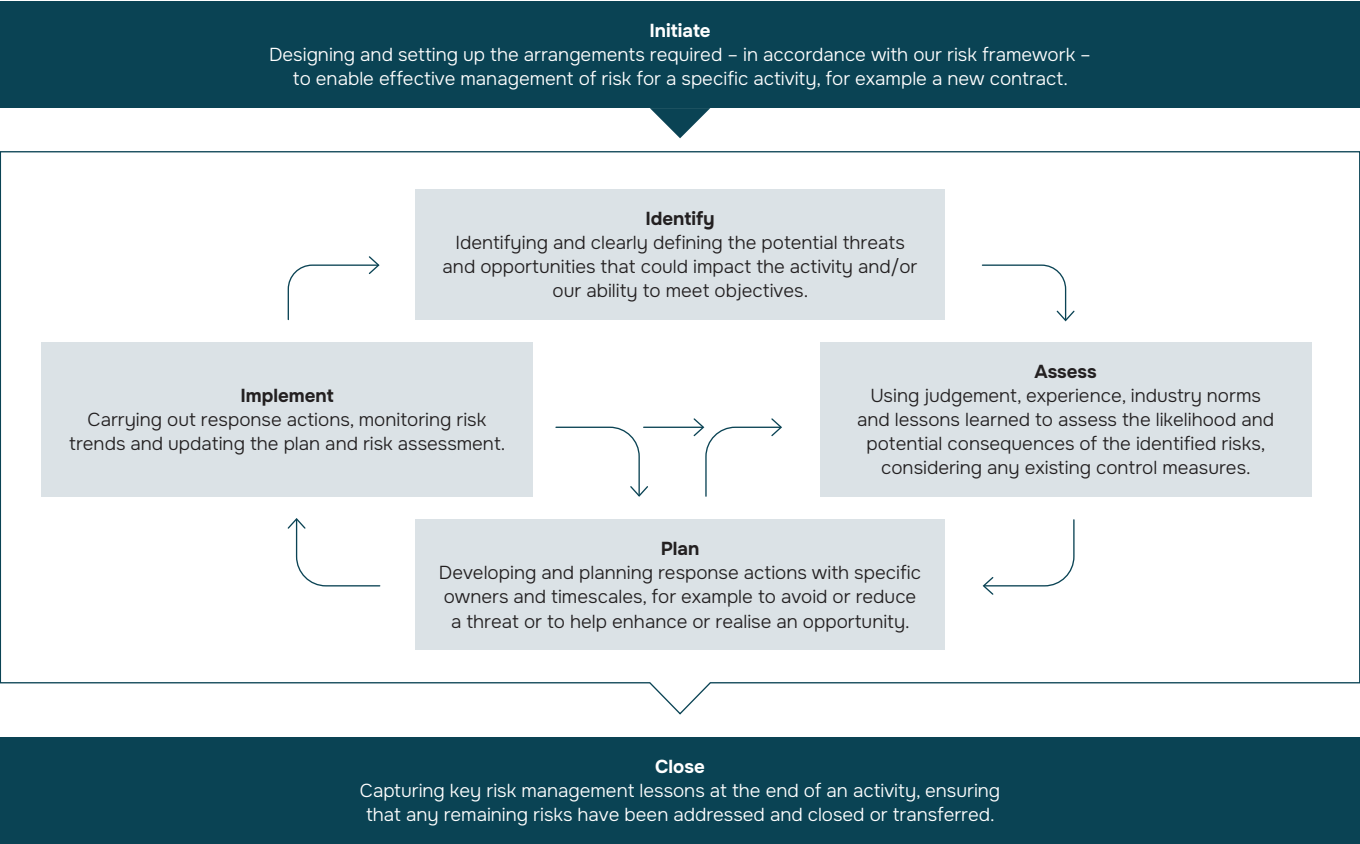
1 See notes 2 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.
2 Excludes 'cash and cash equivalents - with restrictions' of £26.0m (FY 24: £38.4m). See note 17 of the financial statements.

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.

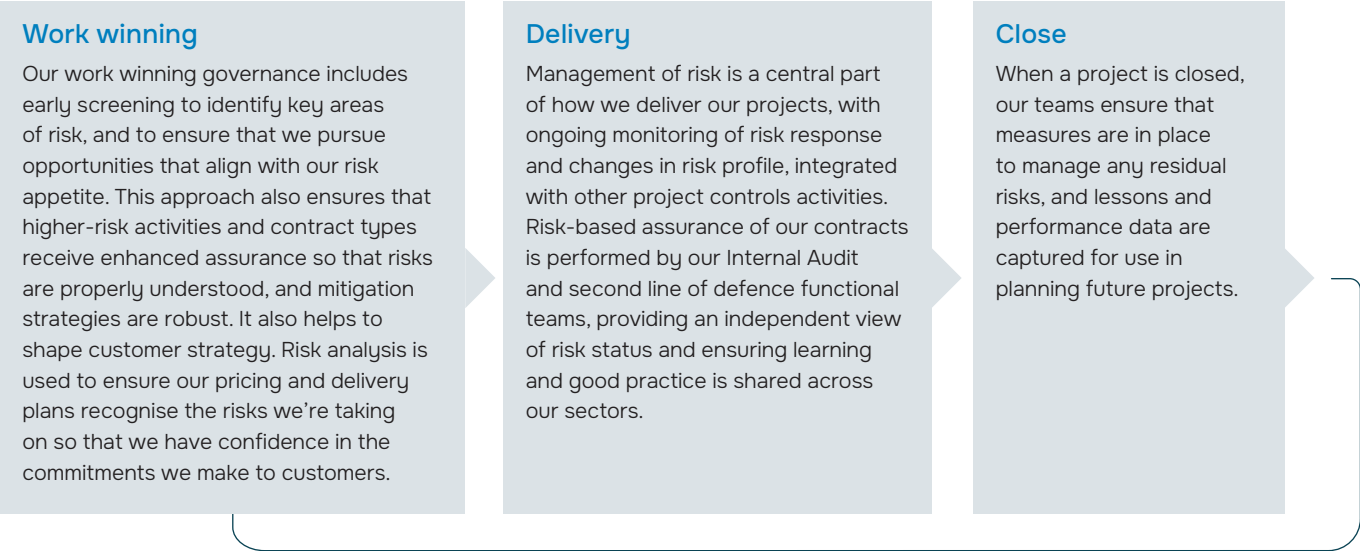


Close

Capturing key risk management lessons at the end of an activity, ensuring that any remaining risks have been addressed and closed or transferred.

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.



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 that supplement our capability with new skills and share our values.
	Contract	Cautious	While our contracts contain significant risks, we 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 54 to 57.

To undertake a robust assessment of the risks that could threaten our business objectives, performance, sustainability, solvency or the liquidity, 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 including those in the external risk landscape.

Routine review of the project set-up, mobilisation and delivery principal risk included an increased focus on design and quality management, ensuring controls are operating effectively in reducing design risk, preventing defects and minimising rework in our construction projects. Following the successful completion of the Transformation programme in 2024, the Transformation principal risk was closed.

The table below sets out the principal risks faced by the Group, the link to our strategic priorities, any changes in the risk trend during 2025, along with relevant controls and mitigations.

Risk	Description and impact	Key controls and mitigations	Strategic link
Safety, health and environment	We operate in naturally 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.	- Safety, health and environment (SHE) policy, procedures and guidance combined with monitoring and assurance. - Progressive design review and approval to eliminate or control health and safety risks. - Technical control and approvals for construction activities including temporary works and lifting operations. - The Costain behavioural safety programme. - Mandated accident and near miss reporting and embedding of lessons learned. - 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. - Early consideration of environmental risks during work winning, updated during mobilisation and monitored via monthly operational review. - Reporting of environmental incidents and near misses to ensure lessons learned.	 
	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.		
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 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.	- Annual Business Planning Process and Quarterly Business Review of progress against plan, budget and objectives, and customer mix. - Strategic Investment Panels, Work Winning Process and Gates. - Continual review and update of customer pursuit/account plans based upon latest market intelligence. - As part of the annual strategy review process, changes in markets and customer landscape are analysed, particularly in growth and fast-changing markets. Strategy leads are embedded within both divisions and the 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 (eg competition or customer organisation change). - Business development teams at sector and key account level maintain good customer and stakeholder relationships at all levels. - Customer zipper (stakeholder relationship map) plans in place to shape relationships with government, local authorities and trade bodies from Board downwards. - Strengthening our customer mix and exploring potential new market areas to increase resilience to changes in specific areas.	  
	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.		

Link to strategic priority

Risk	Description and impact	Key controls and mitigations	Strategic link
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. Risk trend: Neutral ↔ Measures to identify and control potential contract risks during work winning, and to strengthen protection in our contracts for external factors such as inflation continue to operate effectively in managing this risk.	- Commercial review process, which examines in depth the performance of all contracts to assess progress in achieving our strategic objectives. - Early risk profiling of opportunities to ensure key contract risks are identified and bid decisions are aligned with risk appetite. - Detailed contract reviews form part of work winning governance to ensure robust management of contract risks. - Technical, design and estimate reviews as part of work winning process. - 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. - Monthly financial contract and account reviews. - Ongoing monitoring of supplier performance and invoicing cost trends. - 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 design, 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. Risk trend: Neutral ↔ Design and product quality aspects of this risk were reviewed during 2025, considering existing controls and any improvement measures necessary to strengthen these further.	- Robust planning, estimating and risk identification and analysis during proposal development to form a stable, deliverable baseline for delivery. - Compliance with all aspects of the technical and design gate approvals. - Mobilisation process, ensuring resources, processes and systems are in place in time to commence delivery. - Formal contract closure process to ensure that all aspects of work are complete. - Contract management gates, change control processes and contract performance reviews. - Design quality and management plan with enhanced technical assurance of outsourced design. - Progressive assurance and inspection regime for supplied products and offsite production. - Control of changes to, or substitution of, supplied items to protect design intent and maintain quality.	 
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. Risk trend: Neutral ↔ 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. - Enhanced standards for monitoring supply chain performance. - Continued drive on prompt payment of supplier invoices. - Revised 'How to Buy' process covering end-to-end lifecycle of supply chain activities. - Revised Supplier Code of Conduct. - Implementation of improved procurement schedule and demand planning. - Early development of supply chain strategy within work winning process.	 

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. Risk trend: Increasing ↑ Planned growth across key sectors is expected to increase the significance of this risk, given the backdrop of market competition for talent, with local and national constraints on available skills and resources. We increased the size of our graduate intake in 2025 and are investing in upskilling and targeted development programmes alongside recruitment to meet demand. As a positive reflection of the measures in place for this risk, 2025 saw a further increase in employee engagement score and retention.	• Workforce planning with demand forecasting for key skills aligned with our business plan and work winning pipeline, underpinning an integrated plan for growth aligned with key skills and regions. • New people system implemented to improve efficiency and effectiveness of core people processes with data insights used to improve attraction, recruitment and on-boarding experience. • Career path framework, providing greater visibility of skill requirements and career development paths across the organisation to underpin attraction and retention. • Significant investment in technical, core and leadership skills, through a comprehensive training curriculum, study assistance support, professional development pathways and targeted development programmes. • Regular review and external benchmarking of our offer, ensuring we keep pace with market requirements. • Targeted enhancement to talent management and development in key functions to increase mobility and visibility of opportunities. • Strengthened employee communication and engagement channels and active networks providing two-way communication, feedback and connection.	
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. Risk trend: Neutral ↔ No change in this risk during 2025.	• Monthly business review to monitor status of material contracts and ensure performance is aligned with expectations. • Quarterly profit and cash forecast produced for the current and following fiscal year including monitoring of covenant compliance and cash headroom and liquidity. • Ensuring alignment of customer and supply contract payment terms to support effective control of working capital. • Development of three-year investment for strategy implementation pillars (digital tools, capabilities) to support business plan. • Regular monitoring, in conjunction with the trustee, of asset performance, pensions regulations, Company covenants, scheme funding and liability management. • Professional sole pension trustee appointed to manage legacy pension scheme, providing greater clarity on investments and market conditions.	

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. Risk trend: Neutral ↔ While this risk was reported as increasing during 2024, it has remained at a heightened level throughout 2025, with multiple high-profile cyber-attacks on the UK and global organisations across the UK.	• Maintaining Cyber Essentials Plus (CE+), ISO 22301 (Security and Resilience) and ISO27001 (Information Security) accreditation. • Threat monitoring, vulnerability management and auto-remediation. • Costain information security strategy, integrating information systems, personnel and physical aspects to prevent, detect and respond to information security threats and data loss. • Continual focus on improving cyber resilience in technology and people, improving our security education, training and awareness. • Ensuring all employees comply with mobile device management platform requirements. • Early engagement and awareness of Costain security and information systems requirements during work winning. • Conduct data discovery and scanning audit across the business. • Review and update, as necessary, our system configuration assessments and Automatic Information Protection protocols.	
Climate change and sustainability	Environmental and social responsibility is one of our core values. Failure to deliver on our sustainability targets could impair operational performance and 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. Risk trend: Neutral ↔ We continue to monitor our climate-related risks and report in more detail through our Task Force for Climate-related Financial Disclosures (see pages 24 to 31). In response to changing political and economic factors, we updated our decarbonisation plan to support our transition to net zero emissions and produced our first Nature Positive Plan.	• Annual strategy and business planning cycle – functional business plans reviewed for alignment with our sustainability programme. • Greenhouse gas (GHG) emissions baselines set for in-flight operations. • Embedding sustainability assurance into work winning governance and proposal development. • Assessment of the potential contractual impact of weather event delays, ensuring adequate provision and/or protection is incorporated into agreements. • Assuring actions to plan for extreme weather are incorporated into project planning and delivered during mobilisation. • Consideration of climate change impact on materials, assets and product life as part of technical design process and gate approvals. • Climate risk and sustainability awareness training for all senior managers. • Improving our emissions footprint data through our proprietary insight, including our new digital tool, and communicating performance through reporting dashboards.	

Link to strategic priority

 Growth in strong markets

 Predictable best-in-class delivery

 A resilient customer mix

 A meaningful consultancy service

 To be an admired, growing company

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 four-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 2028.

The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to September 2029, with an option to extend by a further year, and that the Group would either renew the facility thereafter or have sufficient time to agree an alternative source of finance, on terms that 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 36 to 39). 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 UK Government policy impacting investment and procurement programmes. Refer to note 2 of the consolidated financial statements on page 113 for more information.

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 2024 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 2028.

Going concern

The Group’s going concern statement is detailed in note 2 of the consolidated financial statements on page 113.

Strategic Report

Our 2025 Overview and Strategic Report on pages 1 to 41 have been reviewed and approved by the Board of Directors and signed on its behalf by:

Nicole Geoghegan
Company Secretary

9 March 2026

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 002 and the UK Government’s Social Value Model 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 sustainability goals 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

Sustainability programme / [pages 22 to 23](#)

Task Force on Climate-related Financial Disclosures/ [pages 24 to 31](#)

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

Employees 1 3 4 6 7 8 9 10

Sustainability programme / [pages 22 to 23](#)

Board composition and diversity / [pages 51, 60 and 61](#)

Gender and ethnicity pay gap report 2025 / www.costain.com/sustainability/reports-and-downloads/

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

Sustainability programme / [pages 22 to 23](#)

Sustainability Report 2025 / 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 34 to 39](#)

Description of principal risk and impacts on the business

Risk management / [pages 34 to 39](#)

Description of business model

Business model / [pages 8 to 9](#)

Non-financial KPIs

KPIs / [page 17](#)

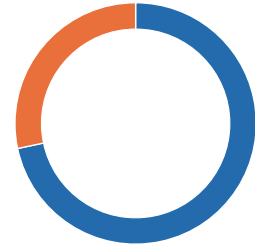
Board of Directors

Dynamic and effective leadership

EXECUTIVE DIRECTORS		NON-EXECUTIVE DIRECTORS				
						
Alex Vaughan FRICS, FICE Chief Executive Officer	Helen Willis ACA Chief Financial Officer	Kate Rock Non-Executive Chair	Tony Quinlan ACA Senior Independent Director	Amanda Fisher Independent Non-Executive Director and Workforce Engagement Director	Fiona MacAulay¹ Independent Non-Executive Director	Steve Mogford Independent Non-Executive Director
Appointed Alex was appointed to the Board as CEO in May 2019. Helen was appointed to the Board as CFO in November 2020.		 Kate was appointed to the Board in November 2022 and became Chair of the Board and Chair of the Nomination Committee in December 2022.		 Amanda was appointed to the Board in December 2023 and became Workforce Engagement Director in March 2025.		 Fiona was appointed to the Board in April 2022 and became Chair of the Remuneration Committee in May 2022.
Skills and competencies Alex has worked in the infrastructure industry for more than 35 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. 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 with a focus on delivering significant growth in profit and margin. In 2009, he completed the Harvard Business School Advanced Management Program.		 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.		 Kate is an experienced Non-Executive Director with a background in corporate communications and strategy, and brings a strong understanding of the construction and contracting sector, the application of innovation and technology to drive productivity enhancements, and of government. Kate Rock is senior independent director at Keller Group plc and formally non-executive director and chair of the remuneration committee of the former global FTSE 250 high technology company, Imagination Technologies plc. She was, until January 2023, a Board member of the world's first Centre for Data Ethics and Innovation and sat on the House of Lords Science and Technology Select Committee. She recently Chaired the House of Lords Select Committee on Autism.		 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 and growth experience from his time as CFO then CEO at Laird. Tony possesses the recent and relevant financial experience in accounting and auditing required to effectively Chair the Audit and Risk Committee. 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 • Member of the Business in the Community Leadership Council. • Construction Skills Mission Board; infrastructure lead. • None.		 • Keller Group plc; senior independent director and non-executive director with responsibility for workforce engagement. • The Royal Countryside Fund; trustee. • Hill & Smith Holdings PLC; senior independent director and chair of the remuneration committee. • NextEnergy Solar Fund Limited; chair.		 • None.		 • Ferrexpo plc; senior independent director and chair of the remuneration and ESG committees. • Dauch Corporation; independent director. • Rosebank Industries plc; non-executive director.

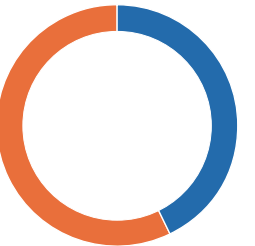
¹Formally registered at Companies House under legal name, Fiona Barkham.

Board independence



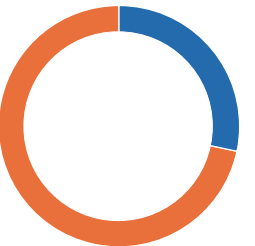
Independent Directors	5
Non-Independent directors	2
Chair Independent on appointment.	

Board diversity – gender



Male	3
Female	4

Board – length of service



1-3 years	2
>3 years	5

Executive Board

Running the business



Alex Vaughan
FRICS, FICE
Chief Executive Officer



Helen Willis
ACA
Chief Financial Officer



Nicole Geoghegan
General Counsel and
Company Secretary



Catherine Duffy
Chief People and
Sustainability Officer



Peter Mumford
Managing Director of
Natural Resources



Paul Morris
Group Commercial Director



Jonathan Willcock
Managing Director of
Transportation

Appointed

Appointed in May 2019.

Appointed in November 2020.

Appointed in July 2022.

Appointed in September 2019.

Appointed in January 2026.

Appointed in July 2024.

Appointed in April 2024.

Skills and competencies

For more information please go to page 42.

For more information please go to page 42.

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.

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.

Peter was appointed Managing Director of Natural Resources in January 2026. With more than 20 years’ experience in complex engineering, programme management and consultancy environments, he brings a wealth of expertise in building and leading high-performing teams across the private and public sector.

Prior to joining Costain, Peter was managing director of Balfour Beatty’s regional civils business in the UK. He also spent five years at Highways England (now known as National Highways), leading the delivery of the government’s £27.0bn road investment strategy and more than 15 years in engineering and construction consultancy businesses, including Aecom, EC Harris and Turner and Townsend.

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.

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

For more information please go to page 42.

• None.

• None.

• None.

• None.

• None.

• 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 2025 Annual Report.

1	Board leadership and Company purpose	4	Audit, risk and internal control
A	Effective Board / pages 42, 43, 51 and 52	M	Integrity of financial reporting, external auditor and internal audit / pages 54 to 57
B	Purpose, values and culture / pages 8, 22, 50, 53 and 60	N	Fair, balanced and understandable reporting / page 55
C	Board decisions, strategy and objectives / pages 8 and 9, 16 to 21, 47 and 50	O	Internal controls framework and effective risk management / pages 34 to 39, 55 and 56
D	Stakeholder engagement / pages 18 to 23, 50, 53, 60 and 61		
E	Workforce policies and practices / page 41		
		5	Remuneration
2	Division of responsibilities	P	Linking remuneration policies and practices with purpose, values and strategy / pages 62 to 68
F	Board leadership / pages 42, 43 and 47 to 52	Q	Remuneration Policy review / pages 68 to 74
G	Independence and division of responsibility / pages 42, 43, 48 and 51	R	Performance outcomes in 2025 / pages 75 to 88
H	Non-Executive Director role / pages 48		
I	Board resources /page 47		
3	Composition, succession and evaluation		
J	Appointments to the Board / pages 51, 58 to 61		
K	Board skills, experience and knowledge, service length / pages 42, 43, 59 and 86		
L	Annual Board evaluation / page 52		

Compliance with the 2024 UK Corporate Governance Code

As a listed company on the London Stock Exchange, and in respect of the financial year ended 31 December 2025, the Company is reporting in accordance with the 2024 UK Corporate Governance Code (the Code), which sets out standards of good practice. The 2024 Code is published by the Financial Reporting Council (FRC) and is available on its website www.frc.org.uk.

During 2025, Costain was compliant with all provisions of the Code that are currently in force. On the following pages we explain our approach to Corporate Governance, demonstrating how the Board and its Committees has fulfilled their responsibilities to ensure robust governance practices are embedded throughout the Group to support business performance and deliver the strategy.

Our governance structure

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.

We held six meetings in 2025. 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.

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 provided with adequate information to enable them to make an assessment of the Company's performance with regard to risks (including those related to ESG), both over the short and long-term, thus enabling them to objectively analyse and make decisions on opportunities to promote value and growth for the Company. Directors 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.

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.

The Chair and Non-Executive Directors also receive monthly management accounts, internal audit reports and regular management reports and information, which enables 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 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.



No changes were made to the schedule of matters reserved to the Board or to the Terms of Reference of Board Committees in 2025. 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 42, 43, and 51.

Chair’s Introduction

Dear shareholder

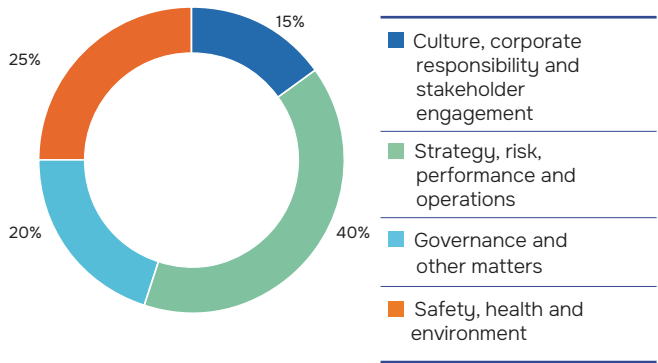
In 2025, we have continued to maintain high standards of corporate governance across the Group to support business performance. The Board promoted Costain’s values, reinforced diverse views and provided constructive challenge, took account of the workforce and wider stakeholders, and oversaw the Group risk management programme. The Board complied with the 2024 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 58 to 61, 62 to 88, and 54 to 57.

Board activities during 2025

How the Board spent its time



Strategy

Value creation was a key strategic item for consideration at Board meetings during 2025. After obtaining significant shareholder approval at the May AGM for the Company to purchase its own shares, the Board considered and concluded that an on-market share buyback programme was an appropriate and value-enhancing use of cash, while maintaining the Group’s financial flexibility to continue to invest in its strategy to deliver sustainable growth and attractive returns. The Board consequentially approved the £10.0m share buyback programme, which started in June and concluded in August 2025, resulting in 6,395,100 shares repurchased and subsequently cancelled (please see page 20 for more information).

In July, the Board came together for a strategy session where growth opportunities were considered and prioritised. Business improvements were identified, and we reviewed our portfolio, competitive differentiators and customer relationships. Further details of our strategy are on page 8.

Sustainability Committee

Following the decision, in 2024, to establish a dedicated Sustainability Committee, the Board has discussed and approved the Terms of Reference for the Committee and appointed its Chair, Steve Mogford. The Sustainability Committee held its inaugural meeting in January 2026 and will formally report into the Board during the 2026 cycle. See our governance structure on pages 48 and 49 for more information.

Workforce Engagement Director

During the year, we appointed Amanda Fisher, who joined the Board in 2023, as our Workforce Engagement Director with effect from 4 March 2025. Amanda has provided us with valuable insight from employees and shared her findings at Board meetings during the year, as well as directly with the Chief Executive Officer and the Chief People and Sustainability Officer. Further information may be found on page 53.

Board Performance Review

This year, we have considered and actioned recommendations put forward as part of the 2024 externally facilitated review (please see page 52 for further information). We have also conducted an internal Board Performance Review in the format of interviews between each Director and the General Counsel and Company Secretary.

Risk management

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 Audit and Risk Committee and the Board. The Board also received deep-dive presentations of several of the Group’s principal risks, including securing work and responding to changes in customer spending plans, project set up, mobilisation and delivery. 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 54 to 57.

In addition, Board members used their engagement visits to sites (see page 53) 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. Towards the end of 2025, the Company carried out its annual Group-wide employee engagement survey with support from Best Companies. The results of which have been shared with the Board. We were delighted with the participation level as it gives us a wealth of information on what we do well and areas for focus. We maintained our accreditation, as a Best Companies One Star organisation, meaning Costain is, and continues to be, a ‘very good’ company to work for.

Kate Rock

Chair

9 March 2026

Attendance and Composition

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 42 and 43.

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 59. The Non-Executive Directors provide constructive challenge, strategic guidance and specialist advice.

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 that are likely to affect (or could appear to affect) the judgement of such Independent Non-Executive Directors.

Meeting attendance

The Board meets regularly and held six scheduled meetings during the year. The Directors’ attendance record at scheduled Board and Committee meetings for the year ended 31 December 2025 is shown in the table below. Attendance is based on eligibility to attend as members. The table below does not indicate regular attendance of non-members.

Board attendance	Scheduled full Board and strategy meetings	Audit and Risk Committee	Remuneration Committee¹	Nomination Committee
Executive Directors				
Alex Vaughan	6/6	–	–	–
Helen Willis	6/6	–	–	–
Non-Executive Directors				
Kate Rock	6/6	–	–	2/2
Amanda Fisher	6/6	4/4	3/3	2/2
Fiona MacAulay²	5/6	4/4	3/3	2/2
Steve Mogford³	6/6	3/4	2/3	1/2
Tony Quinlan	6/6	4/4	3/3	2/2

¹ No Director attended Remuneration Committee meetings for discussions regarding their own remuneration.

² Fiona MacAulay was unable to attend the November Board meeting due to a family bereavement. She was provided with materials in advance of the meeting and provided comments to the Chair in advance of the meeting.

³ Steve Mogford was unable to attend the December Committee meetings due to a prior commitment. He was provided with materials in advance of the meeting and provided comments to the respective Chairs in advance of the meeting.

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, and cyber security.

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.

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 86.

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

Directors’ external appointments

The Non-Executive Directors may serve on 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 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 that 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.

During the year, the Board and the Audit and Risk Committee have received presentations from our legal advisers and auditor on the 2024 UK Corporate Governance Code and financial reporting developments.

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 2025.

Board Performance

2024 review

The Board Performance Review in 2024 was an externally facilitated review, which was conducted by third-party specialist consultant Clare Chalmers. During 2025, the Board reviewed the outcomes of the 2024 review and assessed how it had performed against the findings:

Succession planning	Workforce Engagement Director
The Nomination Committee reviewed succession planning for a number of senior executive roles as well as considering key skills of the Board. See pages 58 to 61 for further details.	During the year, the Board appointed Amanda Fisher as Workforce Engagement Director to lead the Board’s interaction with the workforce. Amanda has met with various employees in 2025 (please see page 53 for more information), and feeds back the employee voice at Board meetings, as well as directly to the Chief Executive Officer and the Chief People and Sustainability Officer. Outcomes of visits are also shared with the General Counsel and Company Secretary. Members of the Board continue to engage with employees via attendance at the bi-annual Impact Day and during any other office and site visits. The Chair also attended the Senior Leadership Conference.
Information presented to the Board	Sustainability Committee
The Board discussed the presentation of reports and the information being presented to the Board. As a consequence, papers have evolved and become more strategic, leading to improved Board discussions.	The Board spent time setting the foundations for the Committee during 2025, ensuring that the Committee had the correct focus. The inaugural meeting of the Committee was held in January 2026.
Risk management programme	
Reporting on principal risks and project risks has been a key agenda item for the Board in 2025. There have also been presentations on how to prepare for the change in reporting under provision 29 of the UK Corporate Governance Code 2024.	

2025 review

The 2025 review was conducted internally via individual interviews with the General Counsel and Company Secretary. Questions asked were aligned to those used in the last internally managed review, to enable comparison with the results. The outcomes were presented back to the Board for consideration at its December meeting. A summary of key items for focus in 2026 include:

Area	Action
Governance	Embed governance reporting to the Board from the Sustainability Committee and Workforce Engagement Director.
Board composition	Review existing Board composition and consider whether additional skillsets are required.
Succession planning	Provide further opportunities for the Board to meet with Senior Executives and high potential employees.
Meeting management	Consider holding pre-meetings to run through complex matters.
Workforce engagement	Increase visibility of the Board with workforce.
Customer engagement	Develop greater customer insight in Board reporting.

The 2025 review built on the findings from the 2024 review and concluded that the Board and Committees continue to operate effectively, highlighting that the culture of the Board was one which was collegiate, collaborative and respectful, and inputs were provided constructively by the Non-Executive Directors.

The Senior Independent Director also conducted a review of the Chair’s effectiveness. His review found that meetings were well chaired, promoting openness and debate.

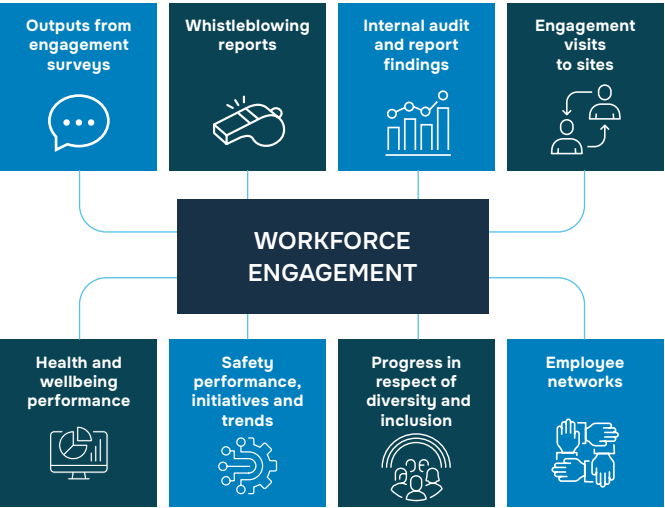
Workforce Engagement

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 2024 Code, we have adopted a workforce engagement mechanism. For 2025, this involved direct contact between Directors and a diverse cross section of the workforce through a range of engagement activities. In 2025, we further evolved this engagement and appointed our Non-Executive Director, Amanda Fisher as our Workforce Engagement Director.

Costain also uses 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.

The Board also receives detailed information on the annual employee engagement survey and the subsequent actions.



Engagement visits to sites

Our Non-Executive Directors carry out engagement visits to our offices, 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, the General Counsel and Company Secretary, and other members of the Executive Board, where appropriate, 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 May and October. These impact days bring together all our site-based employees, joint venture partners, the supply chain and customers, and focus on important safety, health and environment issues. The May Impact Day focused on engagement, encouraging feedback on hazards, good practice and methods for raising issues. Our Workforce Engagement Director, Amanda Fisher, joined the team at HS2 Tunnels and Shafts.

Following on from feedback on previous impact days, the October Impact Day was moved to coincide with the start of shift briefings to allow more staff to attend, and this was borne out by the reflections of our visiting leaders. Our Chair, Kate Rock, took part in this impact day at HS2 West Ruislip and Amanda Fisher joined the event from HS2 Atlas Road.

In addition, Kate Rock made a number of site visits during the year to the Devonport, South East Strategic Reservoir Option (SESRO), Anglian Water and Thames Tideway projects.

Amanda Fisher also made a number of site visits during the year to Seven Trent, A30, Thames Tideway and a night visit to Heathrow. Amanda also took part in our Women in Engineering day and held discussions with the Urenco mobilisation team.

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

Site visits give Board members the opportunity to get a first-hand feel for how our business works from the perspective of our employees. At each site, Board members were impressed with how deeply consideration for safety matters is embedded across the organisation and saw for themselves the challenging working conditions at some of our sites and observed how safety risks are managed on a daily basis.

In July, the Board held its meeting at our Manchester office and were impressed by the showcase presentations received on the Graduate and Apprentice Network, Climate Resilience and Adaptation, and our Project Controls Framework with EDF.





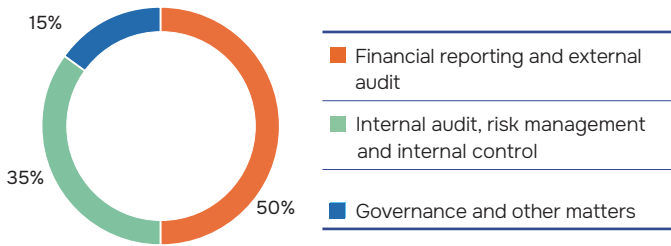
Committee members ¹	Attendance
Amanda Fisher	100%
Fiona MacAulay	100%
Steve Mogford ²	75%
Tony Quinlan	100%

1 All Committee members are Independent Non-Executive Directors. Please see page 42 and 43 for their individual biographies.

2 Steve Mogford was unable to attend the December Committee meeting due to a prior commitment. He was provided with materials in advance of the meeting and provided comments to the Chair in advance of the meeting.

Please see the meeting attendance chart on page 51 for more information.

How the Audit and Risk Committee spent its time



Audit and Risk Committee Report

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 above and on page 51, and their biographies are shown on pages 42 and 43. 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 2025 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 that fall within their remit. In 2025, the Committee met privately, with no management present, with the External Auditor and the Lead Internal Audit Partner immediately after Committee meetings. The Committee met four times during 2025.

This report sets out primary areas of the Committee’s focus in 2025.

In accordance with its Terms of Reference, and in compliance with the 2024 Code, on behalf of the Board, in 2025 the Committee:

- reviewed management’s proposed recommendations in relation to risk management and internal control specifically in relation to Provision 29 of the 2024 Code;

- 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 as required by the Companies Act 2006, conducted a tender for the External Auditor;
- 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; and
- reviewed its Terms of Reference and determined that no changes were required in 2025 but noted that the Terms of Reference would be further considered in early 2026 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:

- reviewed the significant judgements relating to contract positions, provisions, including rectification provisions, fire safety compliance claims, litigation and other risks. The Committee received detailed reports including relevant legal advice;
- considered the Auditor’s year-end materiality benchmark. PricewaterhouseCoopers LLP (PwC) set this at £5.2m taking into account the sector and nature of the Company’s contracting activities; and
- received updates at each meeting on the progress of the latest triennial valuation of the Costain defined benefit pension scheme (the Scheme), which concluded that the funding level (on a Technical Provisions basis) was more than 101%. In January 2026, we announced that an agreement had been reached with the Trustee of the Scheme to remove the dividend parity arrangement that previously existed. In addition, a new schedule of contributions has been agreed and no further cash contributions will be required to be made by Costain until January 2031.

Risk management

During 2025, the Committee reviewed the risk management process and controls system and concluded they were effective, noting the enhancements in, amongst others, work winning and in-contract delivery risk management made since the previous review. The Committee also reviewed the Group’s principal risks (including emerging risks) and the risk management framework (see pages 34 to 39). The Board received deep-dive presentations from management on individual principal risks during the year. The Committee reviewed the Board’s agreed risk appetite and reviewed emerging risks against tolerances.

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

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 112 to 120 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 143 to 147 of the financial statements.

(C) Going concern and viability statement

The Committee considered the requirements of the 2024 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 40) should be recommended to the Board for approval. Please see note 2 on page 113 of the financial statements for going concern information.

(D) Accounting and other regulatory developments

There are no significant changes to the Group’s accounting policies in 2025.

The Company reports under Financial Reporting Standard 101 ‘Reduced Disclosure Framework’, permitting certain disclosure exemptions in this Annual Report (see note 2 on page 112).

There are no other new standards in 2025, 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; and
- review undertaken by the Committee prior to recommendation to the Board.

Audit and Risk Committee Report continued

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 2025 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 2025 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 2026 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; and
- meetings with the Chair of the Committee (and with the Committee) without management present.

The 2025 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 benefiting from Forvis Mazars’ independent perspective. Areas for further focus have been identified such as: increasing the profile and visibility of internal audit and increasing the frequency of sharing best practice guidance and industry/sector insights.

The Committee is satisfied the function is competent to deliver the 2026 internal audit plan.

Internal control and risk management

Details of the Group’s internal control and risk management framework are more fully set out on pages 34 to 39 in the Strategic Report and on page 50 in the Governance Report and page 91 in the Directors’ Report.

The Group’s principal risks are set out on pages 34 to 39.

In preparation for the required declaration in the 2026 Annual Report and Accounts in relation to Provision 29 of the 2024 Code, the Committee has evaluated the effectiveness of the systems of internal control operated within the Group. The evaluation covered all material controls. They encompassed a review of: 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. Work to monitor and evidence the Group’s material controls will continue during 2026.

External Auditor

The Company’s External Auditor is PwC. After a competitive tender process in 2016, PwC was appointed as Auditor from the 2017 audit. Chris Richmond succeeded Andrew Paynter, as our audit partner, effective upon completion of the 2024 audit.

During the year, in accordance with the UK Corporate Governance Code, the Audit and Risk Committee commenced a competitive tender process for the external audit for the year ending 31 December 2027. They appointed a panel comprised of selected members of the Committee and management, and invited a shortlist of audit firms to participate, which included challenger firms and the incumbent, PwC.

The panel followed a transparent process to ensure firms have the experience, capability and capacity to perform a high-quality audit. As part of this process, each firm has confirmed their independence, or ability to achieve independence, and the panel has reviewed the Financial Reporting Council’s assessment of the audit quality of each. Following a thorough evaluation of proposals and with firms having presented in person, a report on the selection procedure, including a recommendation, was presented to the Board at their meeting in March 2026 and Ernst and Young was appointed as Auditor for the year ending 31 December 2027. The Committee is satisfied that the process was fair, transparent, and in the best interests of shareholders.

Costain received a letter from the FRC on 25 November 2025 advising that the Annual Report and Accounts for the year ended 31 December 2024 had been included in their selection for their thematic review of reporting by the UK smaller listed companies.

As part of their procedures, the FRC carried out a limited scope review of the Company’s Annual Report and Accounts with no questions or queries raised. The FRC noted a small number of matters for improvement, which have been addressed in the Annual Report and Accounts for the year ended 31 December 2025. We note that the role of the FRC is to consider compliance with reporting requirements, not to provide assurance that the 2024 Annual Report was correct in all material respects.

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 2025. 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 2025, the Committee considered and approved the external audit plan for the audit of the Group for the year ended 31 December 2025. The Committee considered significant risk areas for the audit, the proposed scope and the materiality threshold. Thirteen subsidiary companies sought exemption from audit for 2025 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. Chris Richmond succeeded Andrew Paynter as lead audit partner effective upon completion of the 2024 audit.

At meetings throughout the year, the external auditor displayed professional scepticism and challenged managements’ judgement and assumptions.

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 2026. PwC will be shadowed by Ernst and Young who will be recommended for appointment by shareholders at the 2027 AGM.

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 2025, the value of non-audit work performed by PwC for the Group was less than £0.1m (2024: less than £0.1m) other than in relation to the review of the half-year financial statements. Please see note 5 to the Financial Statement for further information on Audit fees.

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 are required, as part of their onboarding process, to complete a training module, which identifies the importance of acting with integrity at all times and includes details of the Company’s whistleblowing line (which is provided by an independent third party).

During 2025, 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 other integrity behaviours, such as, declaring conflicts of interest and complying with the Company’s gifts and hospitality policy. The cascade of the Code of Conduct training includes a video from the Chief Executive Officer as to the importance of the training.

The Committee receives 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 are recommended, and also the work done to further improve the Company’s fraud risk management framework. There were 29 whistleblowing reports in 2025 (51 in 2024). These reports were made via the whistleblowing line or referred directly to the Company’s Fraud and Ethics Lead.

In September 2025, a three-year Fraud Strategy setting out a proactive and comprehensive framework to safeguard the organisation and its clients from fraud, bribery and corruption was finalised. This framework is based on robust risk assessments, deterrence, prevention, detection and investigations measures and supported by strong governance, training and a culture of fraud awareness across our people and supply chain.

Committee Performance Review

The 2025 Board Performance Review was internally facilitated and encompassed the Committee Performance Review. Please see page 52 for more information.

Tony Quinlan
Committee Chair

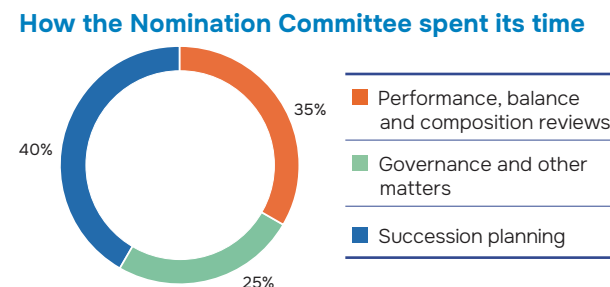
9 March 2026



Committee members	Attendance
Kate Rock	100%
Amanda Fisher	100%
Fiona MacAulay	100%
Steve Mogford ¹	50%
Tony Quinlan	100%

¹ Steve Mogford was unable to attend the December Committee meeting due to a prior commitment. He was provided with materials in advance of the meeting and provided comments to the Chair in advance of the meeting.

Please see the meeting attendance table on page 51 for more information.



Nomination Committee Report

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 42 and 43 and details of their attendance at Committee meetings is shown on page 51. The General Counsel and Company Secretary is secretary to the Committee. The Committee met twice in 2025.

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. This report sets out the primary areas of the Committee’s focus in 2025.

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 2025, and in compliance with the 2024 Code, 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;

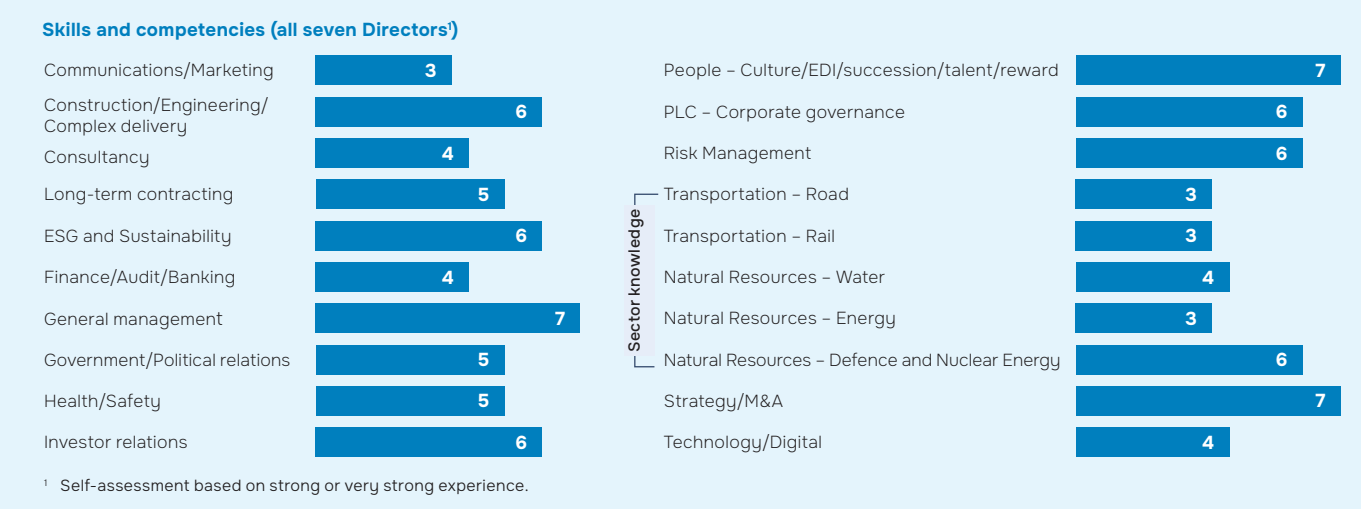
- recommending to the Board the reappointment of those Directors who are offering themselves for re-election at the Annual General Meeting following due consideration of the Board’s policy on independence and the results of periodic Board performance reviews;
- formulating plans for succession for both the Executive Directors and Non-Executive Directors;
- reviewing succession planning arrangements and development plans for other senior employees; and
- 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.

The Company recognises the importance of diversity at the Board and all levels of the Group. The diversity and inclusion policy applies to the Board and its Committees and covers broad diversity aspects such as gender, ethnicity, sexual orientation, disability and socio-economic background.

Activity in 2025

Following the outcomes of the 2023 and 2024 Board effectiveness review, Executive Board composition, succession and development, and ensuring we have the right balance of skills, experience and diversity at the Board, and most senior levels of our business, have been key areas of focus.

The recruitment of an additional Non-Executive Director to bolster and complement the existing Board skill set has been an area of focus for the Committee during the year. In considering the proposed candidate, key diversity criteria related to gender and ethnicity will be considered alongside skillset. Any appointment will continue to be based on merit, taking into account the importance of having diverse perspectives on the Board.



Succession planning for the Executive team has also been a key area of focus for the Committee in 2025. 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 challenge 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 include EDI targets in our Long Term Incentive Plan (LTIP) (see pages 82 and 83 of the Directors’ Remuneration Report).

The Executive Board was strengthened by the appointment of Peter Mumford as Managing Director, Natural Resources in January 2026 and the restructure of the Executive Board, as a reflection of the Group’s current structure. The Committee has also considered succession plans for the roles of Chief Executive Officer and Chief Financial Officer as well as the wider Executive team.

For more information on our ethnicity and gender pay gaps, please see pages 22 and 60 and our separate integrated gender and ethnicity pay gap report at www.costain.com.

Female representation at Board level remains at 57% and the representation of ethnic minorities at 0%.

Our principles on Board diversity also apply to the Executive Board and currently 42% (three of seven) of our Executive Board are female and 0% (nil of seven) of our Executive Board is of non-White ethnicity.

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 60 and 61.

Committee Performance Review

The Committee’s performance was considered as part of the internal Board Effectiveness Review in 2025, which built on the externally facilitated Board Performance Review that was undertaken during 2024 (please see page 52 for more detail). The key areas of focus for the Committee from these reviews are the succession planning of the Executive Directors and Non-Executive Director recruitment.

Directors

As per the recommendations set out in the 2024 Code, and our approach in previous years, all our Directors in post will be standing for re-election by shareholders at the upcoming AGM.

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 2024 Code, as have any actual or potential conflicts of interest.

For example, in 2025, Tony Quinlan advised the Committee that he had been offered an additional role as Non-Executive Chair of NextEnergy Solar Fund and Fiona MacAulay advised that she had been invited to join the Board of Rosebank Industries plc as a Non-Executive Director. The Committee considered the nature of these roles and the time commitment required and determined they would not represent a conflict of interest nor impact the amount of time Tony Quinlan and Fiona MacAulay could devote to their roles at Costain and, therefore, approved these additional appointments.

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 2025. As mentioned previously, the Committee has focused on reviewing the existing Board skills matrix and identified the key skills and attributes required from the next Non-Executive Director appointment, with the search to be initiated in 2026.

As part of the recruitment process, the Committee follows a rigorous and transparent process, using 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
9 March 2026

Board Diversity

Equality, diversity and inclusion

Committed

Costain is committed to maintaining a diverse Board and champions diversity at all levels of the organisation, recognising diversity 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.

The Board remains committed to maintaining a positive position compared to the targets set out in the UK Listing Rules UK LR 6.6.6R (10), and chooses a reference date of 31 December 2025 (see table on page 61);

- By 2025, women to make up at least 40% of a company's board positions – for 2025 Costain had women representing 57% of the Board (please see Board biographies on page 42 and 43 for more information).
- At least one of the senior Board positions (Chair, Senior Independent Director (SID), CEO or CFO) is a woman – for 2025, Kate Rock held the role of Chair and Helen Willis held the CFO role.
- At least one member of the Board is from a minority ethnic background – following the Board changes which took place during 2024, the Board is entirely composed of Directors of white ethnicity. The Nomination Committee is actively searching for an additional Director to complement the existing Board. The Committee is following a rigorous and transparent process, working with an external search partner to scope the role and ensure that a diverse slate of candidates with the required skills and experience are considered. Shortlisted candidates will be interviewed by the Chair, Senior Independent Director and other Board members and will be considered by the Committee, prior to an appointment recommendation being put forward to the Board. The new Director will then be subject to election and annual re-election by shareholders at the Company's AGM.

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.

The Board places high importance on increasing diversity in senior management and recognises the importance of developing a diverse leadership pipeline. For 2026, the LTIP grants will continue to include performance metrics relating to the diversity of the employees forming job grades D–F (a population that comprises middle management).

Progress

In 2025, women comprised 31% of our employee population, increasing from 29% in 2024. Women also held 42% of Costain's senior management roles and 43% of our Executive Board.

At 17.3% (2024: 16.5%) ethnic minorities are also steadily increasing as a proportion of our employee population (5% Black colleagues, 9% Asian colleagues, 2% Mixed Heritage and Other Heritage colleagues).

We are pleased to report that our 2025 median gender pay gap decreased by 3.3 percentage points year on year and our median ethnicity pay gaps have also decreased over the same period. These decreases are a result of much hard work, including our development programmes to unlock talent and enable our colleagues to thrive in their careers at Costain.

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.

Initiatives

The business continues to focus on job grades D–F as part of the year's targets as demographic data suggests that this focus for underrepresented groups could unlock barriers to progression and, in turn, further enhance our performance and positively impact our gender and ethnicity pay gaps.

In 2025, we have created over £600k in social value, derived in part from our commitment to the skills agenda, through apprenticeships and work experience placements, which continue to create meaningful opportunities for individuals and communities.

In 2025, we ran the third cohort of Empower, our programme that focuses on the progression of women in the business. We also ran 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.

We monitor diversity data (including disability) at all stages of our recruitment process. We remain focused on preventing bias in our systems and processes related to recruitment, development and reward. In 2024, Costain was awarded Disability Confident Leader status, in part due to the actions taken to ensure that our recruitment and development processes are inclusive and accessible.

In 2025, 326 of colleagues shared that they have a disability or long-term health condition, compared to 148 in 2024. We maintain strong partnerships with organisations including WorkFit and DFN Project Search and actively participate in disability-focused networks such as The Valuable 500 and the Hidden Disabilities Sunflower scheme. Our Disability and Wellbeing Network plays a central role in embedding lived experience into policy development, workplace design and cultural initiatives, supporting continuous improvement in accessibility and inclusion.

We are taking a data-led approach to addressing our pay gaps and we actively create feedback culture through our employee networks, annual employee 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.

See our website www.costain.com for more information on our commitment to recruiting a diverse workforce.

Planned action in 2026

We continue to evolve our ways of working where possible to be fully inclusive and meet 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). In 2026, we will be prioritising the following actions:

- strengthening recruitment from diverse talent pools, particularly into technical and site-based roles;
- supporting internal progression routes, including professional accreditation, supervisory development and chartership support;
- building retention and career visibility through mentoring and sponsorship for under-represented groups;
- strengthening gender equity outcomes, by developing meaningful conclusions and targeted actions informed by our Women's Listening Circles. Also, trying new approaches to move the dial on gender representation across all career grades. This will include considering creative approaches to flexible working and job sharing to create a greater work-life balance culture; and
- continuing to embed an EDI lens into colleague engagement insights, by reviewing the outcomes of our 2025 engagement survey to better understand engagement scores and qualitative feedback across different colleague groups and experiences.

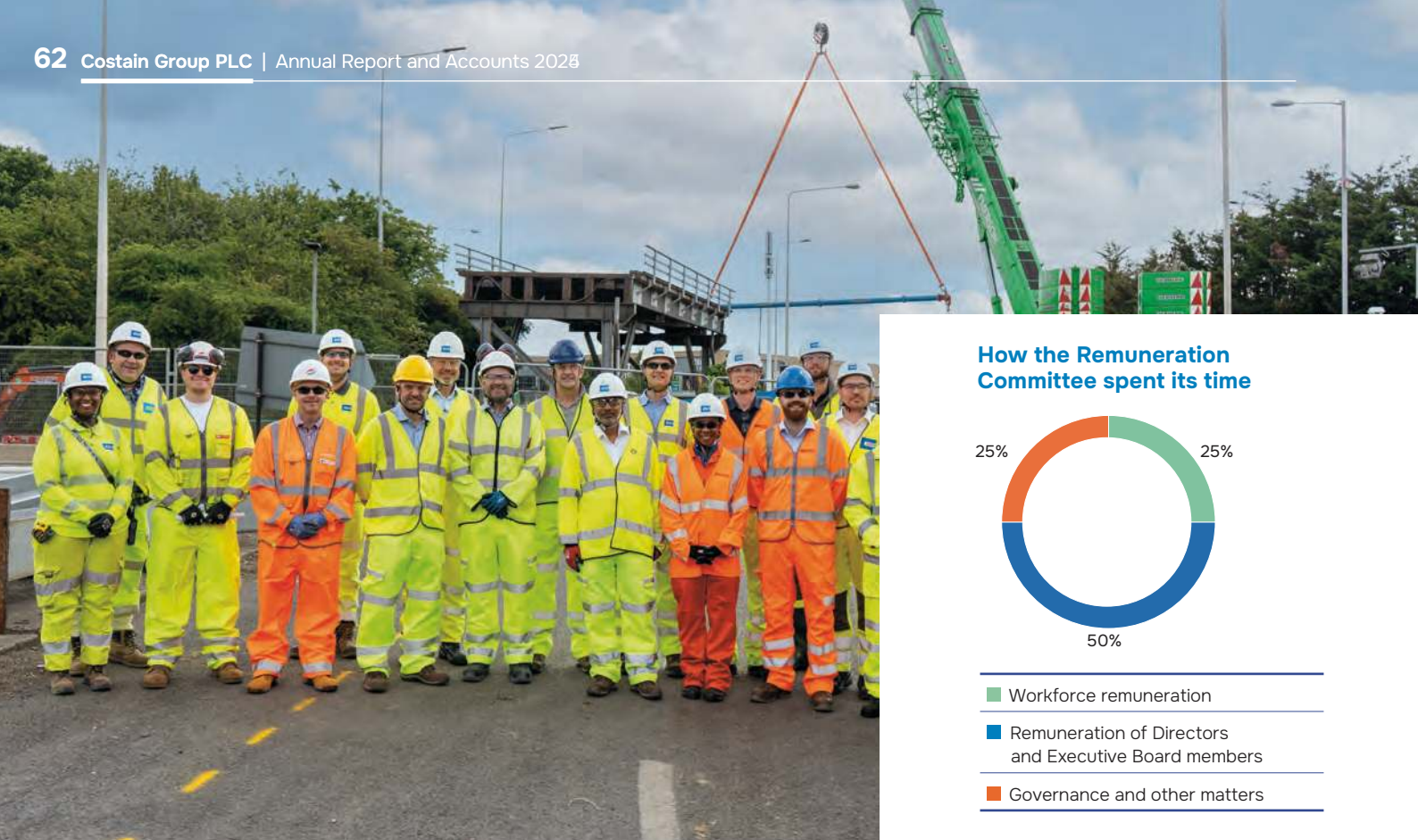
Gender representation at 31 December 2025							
Employee representation	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, SID CEO and CFO)	Number in executive management	Percentage of executive management	Number in senior management	Direct reports of senior management
Male	3 of 7	43%	2 of 4	4 of 7	57%	18 of 28	68%
Female	4 of 7	57%	2 of 4	3 of 7	43%	10 of 28	32%
Other categories	0 of 7	0%	0 of 4	0 of 7	0%	0 of 28	0%
Not specified/Prefer not to say	0 of 7	0%	0 of 4	0 of 7	0%	0 of 28	0%

Note: As at the date of this report, 9 March 2026, Board gender representation remains unchanged.

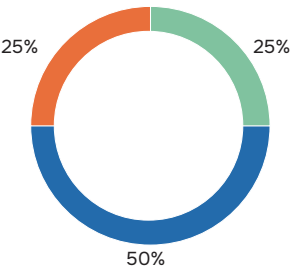
Ethnicity representation at 31 December 2025						
Employee representation	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, SID CEO and CFO)	Number in executive management	Percentage of executive management	Number in senior management
Asian/Asian British	0 of 7	0%	0 of 4	0 of 7	0%	0 of 28
Black/African/Caribbean/Black British	0 of 7	0%	0 of 4	0 of 7	0%	1 of 28
Mixed/Multiple Ethnic Groups	0 of 7	0%	0 of 4	0 of 7	0%	1 of 28
White British or other White (including minority-White groups)	7 of 7	100%	4 of 4	7 of 7	100%	26 of 28
Other ethnic groups, including Arab	0 of 7	0%	0 of 4	0 of 7	0%	0 of 28
Not specified/Prefer not to say	0 of 7	0%	0 of 4	0 of 7	0%	0 of 28

Note: As at the date of this report, 9 March 2026, 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).



How the Remuneration Committee spent its time



- Workforce remuneration
- Remuneration of Directors and Executive Board members
- Governance and other matters

Directors’ Remuneration Report

Committee members

Director	Attendance
Fiona MacAulay	100%
Amanda Fisher	100%
Steve Mogford ¹	66%
Tony Quinlan	100%

¹ Steve Mogford was unable to attend the December Committee meeting due to a prior commitment. He was provided with materials in advance of the meeting and provided comments to the Committee Chair in advance of the meeting.

Please see the meeting attendance table on page 51 for more information.

Actual remuneration of our Executive Directors for 2025 and application of policy for 2026

	CEO – Alex Vaughan	CFO – Helen Willis
	2025£536,328	2025£443,291
Base salaries	2026£555,099	2026£465,456
Pension	10% of salary in line with wider workforce	10% of salary in line with wider workforce
AIP – maximum opportunity	2025: 150% of salary 2026: 150% of salary	2025: 150% of salary 2026: 150% of salary
LTIP – maximum opportunity	2025: 100% of salary 2026: 125% of salary	2025: 100% of salary 2026: 125% of salary
Single figure total for 2025	£2,527,448	£2,103,703

Remuneration Report at a glance

How was our performance reflected in Executive Director pay for 2025?

AIP – Award earned by Executive Directors for 2025

	Adjusted operating profit ¹ (max opportunity: 40%)	Profit secured for 2026 (max opportunity: 15%)	Cash flow ^{2,3} (max opportunity: 15%)	Safety, health and environment ³ (max opportunity: 10%)	Strategic objectives (max opportunity: 20%)	Total achieved (% max)	Actual pay-out (% of salary) ⁴
Alex Vaughan	33%	13%	15%	5%	19%	85%	127.5%
Helen Willis	33%	13%	15%	5%	19%	85%	127.5%

- ¹ See definition on page 116. Target underpinned by 90% cash conversion.
² Measured as average month-end net cash balance, pre-acquisition and investments.
³ Please see page 65 for more information on calculations.
⁴ 33% of the value of the AIP award for 2025 will be deferred into shares under the Share Deferral Plan (SDP).

LTIP – Award vesting for performance over the three years ending 31 December 2025 for Executive Directors

ESG (25% of the award)					
Aggregate Adjusted EPS ⁵ for financial years ended 31 December 2023, 2024 and 2025 (50% of the award)	TSR growth (25% of the award)	Environmental (15% of the award)	Leadership gender diversity (5% of the award)	Leadership ethnic diversity (5% of the award)	Total achieved
Achieved: 39.0 pence	Achieved: 312%	Achieved: 58%	Achieved: 42%	Achieved: 6%	
Outturn: 50%	Outturn: 25%	Outturn: 15%	Outturn: 5%	Outturn: 1.3%	96.3% ⁶
(maximum vesting level: 35.6 pence or more)	(maximum vesting level: 100%)	(maximum vesting level: 19.8%)	(maximum vesting level: 39%)	(maximum vesting level: 9%)	

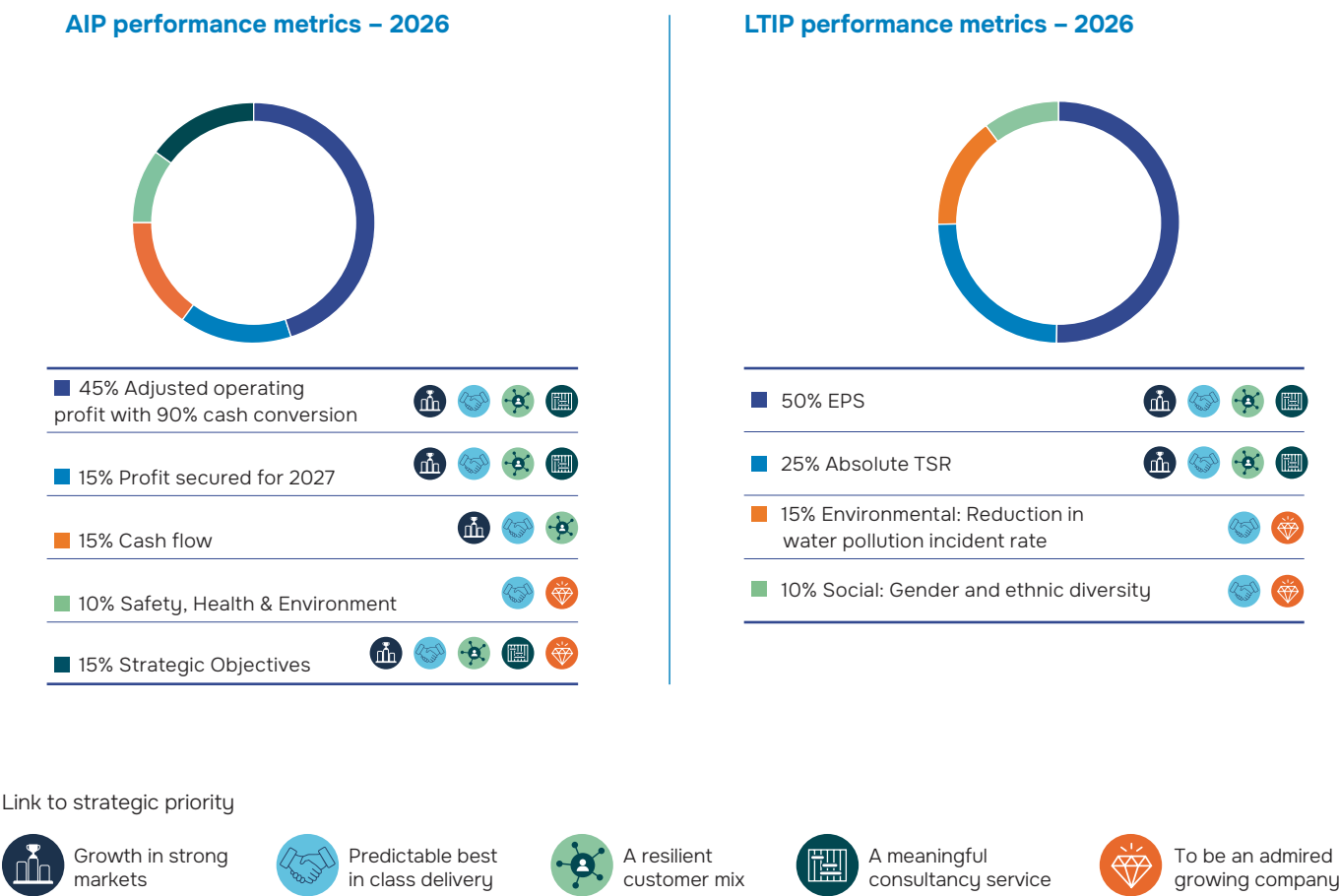
Ensuring shareholder alignment

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 ⁷ .
Alex Vaughan		255%
Helen Willis		214%

- ⁵ Measured as Adjusted basic earnings per share (see definition on page 116), further adjusted to exclude pension scheme interest.
⁶ The awards vest in April 2026 but are subject to a two-year holding period.
⁷ Calculated using the share price as at 31 December 2025 and includes balance of SDP shares net of shares sold to cover tax and national insurance.

Directors’ Remuneration Report continued

Alignment of our new Remuneration Policy with our strategy



Wider workforce

All employee share plan – 32% take-up of eligible employees under the 2025 SAYE invite.

The annual salary review budget for April 2026 will be 3.5%, allocated based on performance and position in salary range.

274 people were promoted in 2025.

We are committed to paying the real living wage to all employees.

Retained Best Companies 1 Star accreditation as a ‘Very Good Company to work for’ in 2025. Consistent increase in employee engagement over the past four years, up 2.9% on 2024. Response rate of 75%, with 95% of colleagues agreeing that health and safety is taken seriously and 87% agreeing that environmental sustainability is a priority for Costain.

Percentage of females in senior management positions: 36% at 31 December 2025. Costain’s 2025 median gender pay gap decreased by 3.3% year on year and the median ethnicity gap has also decreased over the same period. In our wider leadership community, 8% of colleagues are BAME (2024: 5%) and 20% female (2024: 19%).

Annual Statement by the Chair of the Remuneration Committee

I am pleased to present our Directors’ Remuneration Report for the year ended 31 December 2025. Our report explains the work of the Committee and how we have implemented our Remuneration Policy approved at the AGM in 2023 during 2025. A summary of how the pay for our Executive Directors is aligned with delivering our strategy and enhancing our performance in 2025 is shown in the ‘Remuneration at a Glance’ section on pages 62 and 63.

2025 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.

- We traded well with growth in operating profit and margin reflecting the improving quality of our contract portfolio and our more predictable delivery performance.
- Our strong and growing net cash position, progression in our dividend (which we have reinstated since our last Policy renewal in 2023) and share buyback programmes implemented in 2024 and 2025 are creating sustainable value for shareholders.
- As announced on 26 January 2026, a new agreement was reached with the Trustee of the defined benefit pension scheme that removed the dividend parity arrangement that previously existed, taking away a significant constraint that had existed in respect of returns to shareholders. Recognising this, we announced two intentions: to pay a dividend in line with our target of dividend cover of 3.0x adjusted earnings, and to undertake a £20m share buyback programme in FY 26.
- Compared against our high standards where we have delivered multiple years of record safety performance, 2025 was a challenging year. Our LTIR rate for the year was 0.16 (FY 24: 0.11). Responding to the rise in minor injuries we undertook a review of our 2024 and 2025 incidents to identify and address any common themes. We implemented several actions, which resulted in a significant reduction in injuries in the second half of 2025.
- The Company continues to make progress in building an industry-leading, diverse team, seeing overall gender and ethnic diversity increase year on year, complemented with reductions in both the gender and ethnicity pay gaps. This is a result of actions we are taking to drive progressive, sustainable and inclusive change.
- In January 2026, the inaugural Sustainability Committee approved the Group’s Decarbonisation and Nature Positive Plans. These plans set the near-term actions required to maintain progress towards our goal to achieve net zero greenhouse gas emissions by 2045. We’ve maintained our strong environmental performance, reducing incidents, waste and water consumption. For 2025, we are pleased to report a 41% year-on-year decrease in emissions and continued improvements to data collection, which has significantly improved since the introduction of our Environmental Construction Data Tracker in 2024. This is now giving us a more complete picture of our emissions.
- The all-employee pay rise for 2025 was 3.5% (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 engagement score.
- In Autumn 2025, we invited employees to participate in the 2025 Sharesave grant. We had a take-up rate of 32% of our employees for the 2025 invite.

Executive Director base salary increases and variable pay outcomes for the year ended 31 December 2025

In 2025, Alex Vaughan received a salary increase of 4%. As explained in the 2023 and 2024 Directors’ Remuneration Reports, this was the second and final phase of a stepped increase implemented to ensure his salary is reflective of individual performance, experience and responsibilities. Helen Willis received a salary increase in 2025 of 3.5%, in line with the average salary increase for the wider workforce. The 2025 AIP comprised 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 2026 and cash flow (see page 77 for more information)), and 30% on non-financial measures (safety, health and environment and strategic objectives (previously known as ‘personal performance’)) Based on the performance against these measures, Alex Vaughan and Helen Willis earned an AIP equal to 127.5% of salary, respectively. When determining the AIP outturn, the Committee considered whether the formulaic outcome was reflective of underlying business performance. As part of this assessment, the Committee considered the appropriateness of the payout on the cash flow metric which is based on the average cash balance over the year. The outturn of £152.6m would have resulted in a 6% (out of a possible 15%) payout. The Committee exercised its discretion to approve an additional 9% under this metric in recognition of the Group’s strong cash flow performance for the year. This was the result of significant efforts made during the second half of the year in securing cash backed contract finalisations and effective working capital management, which offset the timing of certain cash receipts, and working capital movements during the year that impacted our average cash measure. Additionally, the payout on the Safety, Health & Environment metric at 5% (out of a possible 10%) reflects our actual performance of 7.5% (out of a possible 10%), with a reduction of 2.5% discretion applied by the Remuneration Committee, to reflect the safety performance in the year. One-third of the AIP earned will be deferred into shares for two years. Further details are set out on page 77.

Directors’ Remuneration Report continued

The LTIP Award granted in April 2023 was subject to EPS performance for 50% of the award, absolute TSR performance for 25% of the award and ESG performance for 25% of the award. Based on the performance against these measures, the 2023 LTIP award is due to vest at 96.3% in April 2026. LTIP awards that vest will be subject to a two-year holding period by Executive Directors. Further details are set out on page 79.

In line with good practice, these incentive outcomes were reviewed in the broader context of the stakeholder experience, including the gain attributable to the share price increase since grant and the impact of the share buyback programmes conducted in 2024 and 2025 on the EPS element. The Committee considered that the outcomes are a fair reflection of the Group’s underlying financial performance achieved in 2025 and throughout the performance period. The Committee noted that the buy-backs did not impact the level of vesting of the EPS element. In addition, the share price gain reflected a sustained increase over the vesting period, with the post-vesting holding period further aligning Executive Directors’ interests with long-term share performance. The Committee noted strong trading in 2025, growth in Adjusted operating profit and margin, and the improving quality of our contract portfolio. As a result of these factors, the Committee determined that the outcomes as set out on page 79 to be appropriate.

2025 LTIP awards

LTIP awards were granted to the Executive Directors in April 2025 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 page 80.

Investor engagement and the new Directors’ Remuneration Policy

In 2025, the Committee has focused on the review and evolution of our Policy, which we will ask shareholders to approve at our AGM on 14 May 2026, in line with the normal three-year renewal cycle.

We are committed to aligning shareholder and Executive interests, maintaining an open and transparent dialogue with our shareholders on Executive pay and listening to your views. The Committee consulted with the Company’s 10 largest shareholders in Q4 2025 and Q1 2026, as well as the main proxy voting advisory agencies, on our Policy proposals.

I met with those shareholders who wished to discuss the proposals in more detail and responded in writing to those requesting more information. Shareholders who provided feedback were supportive of the proposals. No significant concerns were raised in relation to the approach described below, which is intended to ensure the Executive Directors are appropriately incentivised for delivering out-performance and that the Policy is sufficiently flexible for the next three-year cycle.

- **Separate caps for Annual Incentive Plan (AIP) and Long Term Incentive Plan (LTIP):** Under the Policy approved in 2023, the combined AIP and LTIP maximum opportunities for any year may not exceed 250% of salary with individual maximum opportunities for AIP and LTIP of 150% of salary. To simplify the approach, the new Policy will not include the combined limit, but retains separate limits as described below.
- **No change to current AIP maximum opportunity:** The maximum AIP opportunity under the Policy remains at 150% of salary and there is no change to deferral arrangements with ordinarily one-third of any bonus earned deferred into shares for two years.
- **Increased LTIP headroom:** The new Policy introduces headroom to increase the maximum LTIP opportunity to 200% of salary.

The Committee firmly believes that the changes made in the new Policy will further strengthen the alignment between Executive reward and the delivery of enhanced shareholder value creation. This underscores our commitment to incentivising and rewarding the delivery of exceptional results by taking a fair and balanced approach to remuneration.

2026 LTIP awards

While an LTIP opportunity of 100% of salary is recognised as being at the lower end of the market compared to our peers, the Remuneration Committee’s initial intention for the 2026 LTIP was to maintain this level. Our original proposal was to reserve the headroom for specific circumstances, such as facilitating the recruitment or retention of an Executive Director; or addressing significant increases in business scale and complexity. However, during our initial engagement with shareholders, a consistent theme emerged regarding the importance of ensuring our Executive team is robustly incentivised to deliver out-performance and enhanced shareholder value creation.

Reflecting on this valuable feedback and underpinned by the Board’s confidence in Costain’s momentum to deliver sustained growth and enhanced shareholder returns, the Committee has decided to make a modest increase to the maximum 2026 LTIP, from 100% of salary to 125% of salary. This decision acknowledges the Group’s strong performance, including a sustained period of improved financial results, increased profitability, and robust cash generation, which has culminated in our re-entry into the FTSE 250. We considered introducing a one-off out-performance LTIP element for 2026, potentially offering up to an additional 100% of salary based on the achievement of exceptional adjusted cumulative EPS. However, on balance, we concluded that a modest increase to the LTIP quantum for 2026, coupled with appropriately stretching targets, is a simpler and more transparent approach. This aligns effectively with our growth strategy to deliver a step change in performance in FY 27 and beyond and create long-term sustainable shareholder value.

The 2026 LTIP will continue to be subject to performance conditions weighted at 50% for Adjusted EPS, 25% for TSR, and 25% for ESG performance. Further details of the performance targets are included on page 82.

Reward for the year ended 31 December 2026

Executive Director base salary increase: For 2026, the annual salary review budget for the wider workforce is 3.5% with targeted higher increases for those identified as being paid below market and high performers. Alex Vaughan will receive a salary increase of 3.5% (effective 1 April 2026). The Chief Financial Officer will receive a salary increase of 5% (effective from 1 April 2026) in recognition of the scope of her responsibilities which have continued to expand since 2024, including the increased remit of the internal IT and Risk functions.

AIP: The maximum AIP opportunity for Executive Directors will be 150% of salary. The AIP will be weighted 75% on financial measures, 10% on safety, health and environment and 15% on strategic objectives. Details of the AIP performance measures are provided on page 81, and targets with performance against them will be provided in the 2026 Directors’ Remuneration Report. One-third of the AIP earned will be deferred into shares for two years.

LTIP: As set out on page 66, the maximum LTIP opportunity for Executive Directors will be a 125% of salary. Details of the LTIP performance measures are set out on page 82. LTIP awards that vest are only released after five years, thereby ensuring long-term alignment of the Executive Directors’ and shareholders’ interests. Shareholders will also be asked at the 2026 AGM to approve an amendment to the limit on participation included in the LTIP rules, in order that it is aligned with the new Policy.

Chair and Non-Executive Director Remuneration for 2026

Under delegated authority from the Board, the Executive Directors and the Chair have reviewed the fees for the Non-Executive Directors, taking into account the scope of their roles, responsibilities, time commitments, and relevant market data. The Chair’s fee was independently reviewed by the Remuneration Committee using relevant market data.

The Executive Directors and the Chair agreed fees of £6,250 for both the Workforce Engagement Director and the Sustainability Committee Chair (with effect from 1 April 2026) to reflect the time involved to fulfil the roles. The Workforce Engagement Director fee had previously been agreed as £5,000 for the period 1 January to end of March 2026.

With effect from 1 April 2026, the following fee increases will also be implemented:

- The Chair’s fee will increase to £250,000 (2025: £209,898).
- The Non-Executive Director base fee will increase to £62,500 (2025: £55,580).
- The fees for the Audit and Risk Committe Chair and the Remuneration Committee Chair will increase to £12,500 (2025: £10,764) and the Senior Independent Director will increase to £12,500 (2025: £9,108).

These increases are designed to align the fees more closely with the market-competitive range for companies of a similar scale and complexity. Furthermore, the Chair and NEDs are generally expected to use a proportion of the base fees paid during the year (net of tax) to purchase shares.

Conclusion

We remain committed to a responsible approach to Executive pay and believe the policy operated as intended during the year. The decisions made by the Committee regarding remuneration earned in respect of 2025 demonstrate our commitment to ensuring that Executive Directors’ reward is aligned with performance and strong outcomes for all our stakeholders. We look forward to receiving your support at our 2026 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 2026.

Fiona MacAulay

Committee Chair

9 March 2026

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 for adjusted metric details and definitions.

Adjusted EPS: Adjusted earnings per share is calculated using adjusted profit. See note 2 of the financial statements 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, 2023 and amendments to be approved in 2026).

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 2024 UK Corporate Governance Code, are applied in practice.

This report is unaudited unless otherwise stated.

Directors’ Remuneration Report continued

Directors’ Remuneration Policy

The Directors’ Remuneration Policy for which approval will be sought at the 2026 AGM, is set out below.

Element	Purpose and link to strategy	Operation	Performance metrics	Maximum opportunity
Salary	- To attract and retain high-calibre individuals. - Reflects skills, experience and performance in role. - 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. - Set with reference to individual performance, experience and responsibilities. - 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. - Increases will usually not exceed the average salary increases for the wider workforce (in percentage terms). - 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. - Promotes greater alignment with shareholders. - To facilitate share ownership.	- Two-thirds paid in cash. - 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. - 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. - 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. - 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. - Awards may be subject to malus and clawback as described on page 70. - 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. - 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 strategic objectives. - 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%. - The Committee may amend the payout 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.

Element	Purpose and link to strategy	Operation	Performance metrics	Maximum opportunity
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. - Awards are subject to a further holding period of two years following the end of the performance period before they are released (other than shares that are released so that they may be sold to cover any tax liability or exercise price due in respect of the exercise). - 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. - Awards may be subject to malus and clawback as described below. - 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. - At least 75% of the opportunity will be subject to financial and/or share price measures. - 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. - 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 200% of salary. For FY 26, the maximum LTIP will be up to 125% of salary. - If a Qualifying LTIP award is granted, the value of shares subject to the tax-qualifying option will not count towards the limit referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.
All-employee share schemes - SAYE Scheme	Offered to employees, to facilitate share ownership and provide further alignment with shareholders.	- SAYE Scheme operates with periodic grants, which normally vest after three or five years subject to continued service. - SAYE Scheme operates in accordance with HMRC requirements as a tax qualifying plan. - If the Company adopted any other all-employee share scheme, Executive Directors would be eligible to participate on the same basis as other qualifying employees.	Not subject to performance conditions in line with usual practice.	Participation on the same basis as other employees.
Pension	To aid retention and remain competitive in the market place.	- Annual pension allowance. - Paid as a cash contribution to the Defined Contribution pension scheme or 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 market place. - Healthcare benefits to minimise business disruption.	- Company car (or car allowance) and fuel allowance. - Medical insurance. - Life assurance. - 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 (ie 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 and any exercise price) 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 share ownership guidelines in exceptional 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. Our approach to the performance metrics for the 2026 AIP awards is described on page 81.

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/social measures. Our approach to the performance metrics for the 2026 LTIP is described on page 82.

AIP and LTIP performance measures may be adjusted if the Committee considers that it would be appropriate to amend the performance measures (eg 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.

The Committee considers these time horizons appropriate on the basis that: it aligns with our AIP deferral period and the combined performance and holding period under the LTIP; it provides sufficient time for any potential circumstances to arise; and it aligns with typical market practice.

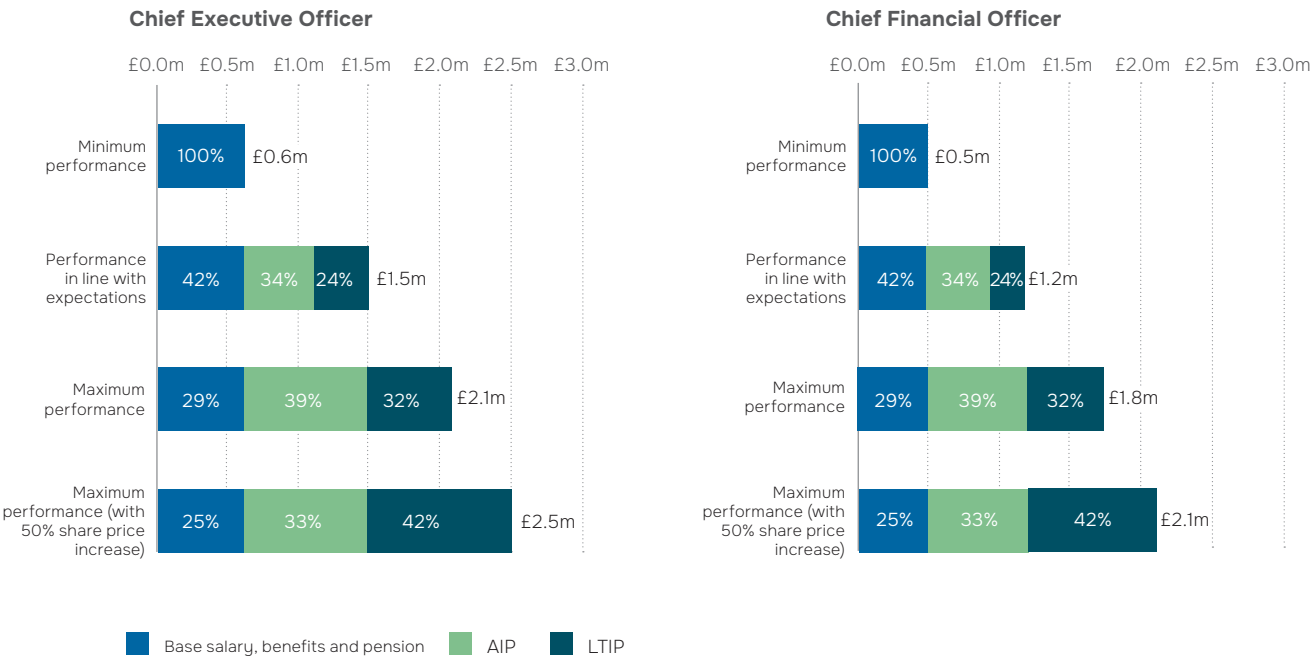
Incentive plan operation

The Committee will operate the AIP, SDP, LTIP, SAYE Scheme and any other all-employee share scheme according to their respective rules. All discretions under those rules will be available under this Policy, except where explicitly limited under this Policy.

Share awards under the SDP, LTIP, SAYE Scheme, and any other all-employee share 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.

Illustration of application of Remuneration Policy (£m)



The charts above illustrate the potential remuneration for each of the Executive Directors for 2026 under the Policy set out above in four different performance scenarios.

Performance scenario	Fixed pay	Variable pay	
	Base salary pension and benefits	AIP	LTIP
	• Salary effective 1 April 2026 • Pension contribution: 10% of salary • Benefits as paid in 2025		
Minimum		N/A	N/A
On-target		60% vesting (90% of salary).	50% vesting of the LTIP (62.5% of salary).
Maximum		100% vesting (150% of salary).	100% vesting of the LTIP (125% of salary).
Maximum plus share price appreciation		As with the Maximum scenario, but assuming a 50% share price increase for the purposes of the LTIP element.	

Directors’ Remuneration Report continued

Service agreements and loss of office

The Executive Directors have service contracts that can be terminated by either party on the giving of 12-months’ notice. There is no entitlement to the payment of a predetermined amount on termination of employment in any circumstances. There are no liquidated damages provisions for compensation on termination within the Executive Directors’ service agreements. The Executive Directors’ service agreements do contain provisions for payment in lieu of notice, but these are at the Company’s sole discretion.

The Company seeks to avoid any payment for failure. The circumstances of the termination (taking into account the individual’s performance) and an individual’s duty and opportunity to mitigate losses are taken into account as appropriate having regard to the individual circumstances. Our normal policy is to stop or reduce compensatory payments to former Executive Directors to the extent that they receive remuneration from other employment during the compensation period and that any such payments would be paid monthly in arrears.

It is the Committee’s intention that any future service contracts will reflect the Policy.

Executive Directors	Date of contract	Expiry date	Termination payment	Remuneration entitlement	Compensation on termination following a change of control
Alex Vaughan	7 May 2019	Terminable on 12-months’ notice.	Base salary plus benefits ordinarily paid monthly and subject to mitigation. Benefits provided in connection with termination may include for example, pension, outplacement fees, payments in respect of accrued holiday and legal fees. In appropriate circumstances, the Committee may agree that certain benefits (such as medical insurance) may be continued for a reasonable period following termination of employment.	No other specific entitlements are contained within our contracts.	No additional provisions other than those contained in the ‘Termination payment’ column.
Helen Willis	30 November 2020				

The treatment of any incentive payment on termination will be determined in accordance with the rules of the AIP, SDP or LTIP. The principal provisions of the rules are summarised below. SAYE Scheme options may vest on termination in accordance with the Scheme rules, which do not include any discretion on the part of the Committee. Awards under any other all-employee share scheme will be treated under the rules of that scheme.

AIP	Ordinarily, there will be no entitlement to a bonus unless the participant is employed and not under notice at the bonus payment date. In the event of termination due to death, redundancy, injury, ill-health, disability or retirement (a ‘good leaver’) a bonus (normally pro-rated for time in service during the bonus period) may be earned at the discretion of the Committee. The Committee has discretion to pay the bonus following the end of the year (subject to assessment of the performance measures) or at termination (subject to the Committee’s assessment of the performance measures at that time). The Committee retains discretion to pay the whole of the AIP award for the year of termination (and prior year) in cash (after assessment of performance and, ordinarily, application of time pro-rating). The Committee would only pay the whole of the bonus in cash where the termination was in compassionate circumstances (such as in the event of death or due to ill-health).
SDP	In the event of termination due to injury, disability, or any other reason at the Committee’s discretion, unvested SDP awards shall continue and vest on the normal vesting date, unless, in exceptional circumstances, the Committee permits the award to vest at cessation. If a participant dies, their unvested SDP awards will vest at that time. Unvested SDP awards shall lapse on termination for any other reason.
LTIP	Termination during the vesting period Unvested LTIP awards will usually lapse on termination. However, in the event of termination due to injury, disability, or any other reason at the Committee’s discretion, unvested LTIP awards shall be retained. A retained award shall ordinarily continue and vest and be released on the normal timescale, although in exceptional circumstances the Committee may permit the award to be released at vesting. The extent of vesting will be determined taking into account the extent to which the performance conditions are satisfied and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed at the date of cessation. If a participant dies, their unvested LTIP awards will vest and be released at the date of cessation, with the extent of vesting determined taking into account the extent to which the performance conditions are satisfied at that date (as assessed by the Committee) and, unless the Committee determines otherwise, the proportion of the vesting period that has elapsed at the date of cessation. Termination during the holding period If a participant is dismissed during the holding period for misconduct, their award will lapse. If a participant ceases employment during the holding period other than due to dismissal for misconduct, their award will continue and be released (to the extent vested by reference to the performance conditions) on the normal release date, although the Committee has discretion to release the award at cessation or at some other date between cessation and the normal release date.

Where a new Director is granted a ‘buy out’ award (as described on page 73) the leaver provisions would be determined at the time of grant.

Recruitment remuneration

In the case of hiring/appointing a new Executive Director, the Committee will typically apply the provisions of the Policy set out above. However, the Committee retains the discretion to make payments or awards, which are outside the terms of the Policy to facilitate the hiring of candidates of the appropriate calibre required to implement the Group’s strategy, subject to the principles and limits set out below. The individual will move over time onto a remuneration package that is consistent with the approved Policy.

The Committee will not use its discretion to make payments or awards outside the Policy to offer a non-performance-related incentive payment (for example a ‘guaranteed sign-on bonus’).

In determining appropriate remuneration, the Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure that arrangements are in the best interests of both the Company and its shareholders.

Circumstances in which the Committee may make payments or awards, which are outside the terms of the Policy, include (but are not limited to) the following:

- an interim appointment is made to fill an Executive Director role on a short-term basis;
- exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short-term basis;
- an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance; subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis; or
- the Executive Director received benefits in their previous engagement that the Committee considers it appropriate to recognise.

The Committee may also alter the performance measures, performance period, vesting period and holding period of the annual bonus or long-term incentive if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained.

The Committee may make an award in respect of hiring to ‘buy-out’ remuneration arrangements forfeited on leaving a previous engagement. In doing so, the Committee will take account of relevant factors regarding the forfeited arrangements, which may include any performance conditions attached to awards forfeited (and the likelihood of meeting those conditions), the time over which they would have vested and the form of the awards (eg cash or shares). It will generally seek to structure buy-out awards on a comparable basis to remuneration arrangements forfeited. These payments or awards are excluded from the maximum level of variable remuneration referred to below. However, the Committee’s intention is that the value awarded would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buy-out awards will be subject to forfeiture or clawback on early departure.

Where necessary, the Company will pay appropriate relocation, travel and subsistence costs. The Committee will seek to ensure that no more is paid than is necessary.

The maximum level of variable remuneration (excluding buy-out awards), which may be awarded to a new Executive Director is 350% of base salary.

Any share awards referred to in this section will be granted as far as possible under the Company’s ordinary share plans. If necessary, and subject to the limits referred to above, to facilitate the awards mentioned above, the Committee may adopt a new arrangement in accordance with the provisions of the UK Listing Rules, which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of a Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees payable to a newly-appointed Chair or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

Directors’ Remuneration Report continued

External directorships

The Company encourages Executive Directors to take up non-executive appointments, with the prior consent of the Company, in the belief that such appointments broaden their skills and the contribution that they can make to the Company’s performance. Generally, no more than one such appointment may be undertaken. There must be no conflict of interest and the time devoted to the external appointment must be reasonable in relation to the individual’s commitment to the Company. Fees paid for external appointments may be retained by the individual concerned.

Chair and other Non-Executive Directors

The Non-Executive Directors have letters of appointment. The Non-Executive Directors are appointed for initial three-year terms, which thereafter may be extended. The appointment of any Non-Executive Director appointed or re-appointed after this Policy comes into effect can be terminated by not less than three-months’ notice on either side, without compensation for loss of office. Non-Executive Directors appointed prior to approval of this Policy will be transitioned onto three-months’ notice (from one-months’ notice) on re-appointment. Each Non-Executive Director is subject to re-election at the AGM each year. For details of each Non-Executive Director’s original appointment see page 86.

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 Committee and the CEO. Fees are typically reviewed annually and any increase is usually effective from 1 April. - 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 the Senior Independent Director, Chairing of Board Committees, and holding the position of Workforce Engagement Director. Additional fees may also be paid for additional time commitments. - Overall fees will remain within the limit set out in the Company’s Articles of Association or as otherwise approved by shareholders. - 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 (which may include a non-performance based nil or nominal cost award over Company shares, which may incorporate a right to ‘dividend equivalents’ over the award’s vesting period). - May be entitled to benefits such as travel and subsistence and secretarial support, or other benefits as appropriate. Reimbursed expenses may include a gross-up to reflect any tax or social security due in respect of the reimbursement.	N/A

Legacy arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office outside the Policy 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, webinars and the employee forum, ‘Your Voice’. The Chief People and Sustainability Officer briefs the Board on employees’ views and the Workforce Engagement Director is a member of the Committee, thus 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 as discussed in the Committee Chair’s Statement on page 66. 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 Company’s annual review of its 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.

Annual Report on Remuneration

The Annual Report on Remuneration set out on pages 75 to 88 provides details of how our existing Remuneration Policy was implemented in the year ended 31 December 2025 and how we intend to apply the new Policy (see pages 68 to 74), subject to approval by shareholders at the 2026 AGM, for the year ending 31 December 2026. This Annual Report on Remuneration will be subject to an advisory vote at the 2026 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 42 and 43, 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	¹ Steve Mogford was unable to attend the December Committee meeting due to a prior commitment. He was provided with materials in advance of the meeting and provided comments to the Chair in advance of the meeting.
Fiona MacAulay	100%	
Amanda Fisher	100%	
Steve Mogford ¹	66%	
Tony Quinlan	100%	

Terms of Reference and Committee activity

The Committee acts within its written Terms of Reference, which are reviewed regularly and published on the Company’s website at www.costain.com.

The Committee met formally three times over the course of the year. The pie chart on page 62 and the annual statement from the Committee Chair starting on page 65 set out how the Committee spent its time during the year.

Committee effectiveness review

As described on page 52, the Board Effectiveness Review was internally facilitated in 2025 and the Committee’s effectiveness was considered as part of that review.

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 Board 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. During the year, the Committee took advice from Deloitte LLP.

The Committee has authority 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 £67,920 charged on a time and materials basis (2024: £33,174) for the year ended 31 December 2025 in respect of services provided to the Committee. The Committee reviewed the effectiveness of Deloitte LLP in the year and confirmed that the advice and support it received was appropriate.

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 matters

Votes received at the most recent AGM in respect of approval of the Annual Report on Remuneration and the Directors’ Remuneration Policy are set out below:

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes withheld
Annual Report on Remuneration (2025 AGM)	122,038,548	89.03	15,034,382	10.97	246,042
Directors’ Remuneration Policy (2023 AGM)	170,214,500	97.17	4,965,240	2.83	111,182

Directors’ Remuneration Report continued

Single total figure of remuneration for each Director

This table and associated notes have been audited by PwC LLP.

	2025							
	Fixed				Variable			
	Salary and fees £	Taxable benefits £	Pension* £	Subtotal £	Annual incentive £	LTIP* £	Subtotal £	Total £
Executive Directors								
Alex Vaughan	531,171	6,883	53,117	591,171	683,818	1,252,459	1,936,277	2,527,448
Helen Willis	439,544	14,945	43,954	498,443	565,196	1,040,064	1,605,260	2,103,703
Non-Executive Chair								
Kate Rock	208,124	–	–	208,124	–	–	–	208,124
Non-Executive Directors								
Amanda Fisher	55,275	–	–	55,275	–	–	–	55,275
Fiona MacAulay	65,948	–	–	65,948	–	–	–	65,948
Steve Mogford	55,275	–	–	55,275	–	–	–	55,275
Tony Quinlan	74,979	–	–	74,979	–	–	–	74,979

	2024							
	Fixed				Variable			
	Salary and fees £	Taxable benefits~ £	Pension** £	Subtotal £	Annual incentive £	LTIP** £	Subtotal £	Total £
Executive Directors								
Alex Vaughan	503,975	3,891	50,397	558,263	688,460	1,155,081	1,843,541	2,401,804
Helen Willis	418,560	12,970	41,856	473,386	571,781	959,247	1,531,028	2,004,414
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

* A pension contribution of £10,000 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 £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.

2023 LTIP Award of 849,275 shares (Alex Vaughan) and 705,253 shares (Helen Willis) vested at 96.3%. Value calculated based on average share price over the three months ended 31 December 2025 being 151.5p per share. Amounts include £13,234 and £10,990 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 £783,659 and £650,765 for Alex Vaughan and Helen Willis respectively are attributable to the appreciation of the share price between the date of grant (55.2p) and the average share price over the three months ended 31 December 2025 (151.5p).

2022 LTIP award of 1,124,685 shares (Alex Vaughan) and 934,005 shares (Helen Willis) vested at 100%. Value calculated based on share price on vesting on 9 April 2025 being 98.5p per share. In accordance with the applicable regulations, the value included in the 2024 Directors' Remuneration Report was based on the average share price over the three months ended 31 December 2024 being 104.9p per share. Of the total amount, amounts of £708,581 and £588,447 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 date of vesting (98.5p).

~ 2024 taxable benefits restated to include travel expenses post the relocation of head office in August 2024.

¹ Stepped down from the Board on 31 March 2024.

Additional notes to the single total figure of remuneration

(a) Annual salaries for Executive Directors

The annual salaries with effect from 1 April 2025 were £536,328 for Alex Vaughan and £443,291 for Helen Willis.

(b) Taxable benefits provided to Executive Directors

The main benefits available to the Executive Directors during 2025, and their approximate values, were a car benefit of £2,077 (2024: £1,366) for Alex Vaughan and car allowance of £10,500 (2024: £10,500) for Helen Willis, together with private medical insurance for Alex Vaughan of £1,806 (2024: £1,525) and Helen Willis of £1,444 (2024: £1,220). They also each receive £3,000 towards travel expenses following the change in location of the Company's head office.

(c) Determination of the 2025 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 2025 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 2025 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 £48.9m 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 2025 financial year. As shown in the table below, Alex Vaughan and Helen Willis both earned AIP awards equal to 85%, respectively, of the maximum opportunity based on an assessment against the performance targets.

When determining the AIP outturn, the Committee considered whether the formulaic outcome was reflective of underlying business performance. As discussed in the Annual Statement from the Remuneration Committee Chair, the Committee considered the appropriateness of the payout on the cash metric and, recognising our strong cash flow performance for the year, exercised its discretion to approve an additional 9% payout under this metric. Additionally, the payout on the Safety, Health & Environment metric at 5% (out of a possible 10%) reflects our actual performance of 7.5% (out of a possible 10%), with a reduction of 2.5% discretion applied by the Remuneration Committee, to reflect the safety performance in the year.

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 2025.

Performance measures	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					
	Alex Vaughan	Alex Vaughan	Helen Willis	Helen Willis	Threshold (0%)	Target (60%)	Maximum (100%)	Actual performance	% payout of salary	
									Alex Vaughan	Helen Willis
Adjusted operating profit (with 90% cash conversion) ^{1, 2}	40%	33%	40%	33%	£43.1m	£46.6m	£48.9m	£47.1m	49.5%	49.5%
Profit secured for 2026	15%	13%	15%	13%	£71.4m	£79.3m	£87.2m	£85.4m	19.5%	19.5%
Cash flow	15%	15%	15%	15%	£142.7m	£158.6m	£174.5m	£152.6m	22.5%	22.5%
Safety, health and environment	10%	5%	10%	5%	see commentary above				7.5%	7.5%
Strategic objectives	20%	19%	20%	19%	see strategic objectives on page 78				28.5%	28.5%
Total	100%	85%	100%	85%					127.5%	127.5%

¹ See definition on page 116. 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 £47.0m and £47.5m respectively.

Directors’ Remuneration Report continued

Strategic objectives

Strategic objectives (previously called ‘Personal performance’) were 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 objectives are set out below.

Alex Vaughan

Objective	Achievement during the year	Maximum	Award
	Broadened the scale of our market presence across all our sectors including: • extending customer relationships (including Anglian Water, EDF, Babcock, Heathrow and TfL) • extending existing programmes of work (eg National Highways, Sellafield, Southern Water, Thames Water, United Utilities).	5%	5%
	Continued leadership ensuring our services and programmes are predictable and best in class as standard. In FY 25 we continued to drive improvements. Examples include: opening the M1 National Emergency Area Retrofit North Programme ahead of schedule; a positive close to AMP7, with our teams achieving 100% compliance with our customers’ regulatory date commitments across over 100 projects; completing the demolition of the connector between Terminal 1 and Terminal 2 at Heathrow ahead of schedule; and delivering extensive upgrades to the dock infrastructure at Devonport to the highest safety and environmental standards.	5%	4%
	Growth in consultancy services, contributing 17% of FY 25 Group revenues (FY 24: 12%). Including winning consultancy work with Department for Energy Security & Net Zero, National Highways on the SPats3 Framework, Department for Transport and Manchester Airports Group. Winning design commissions as part of our AMP8 water framework agreements and Network Rail professional services framework agreement.	5%	5%
	Retained Best Companies 1 Star accreditation as a ‘Very Good Company to work for’ in the 2025 engagement survey. Consistent increase in employee engagement over the past four years, up 2.9% on 2024. Strategic leadership of our Sustainability programme, highlights include: the successful implementation of our social value plan, creating over £1m in social value; a reduction in environmental incidents, waste and water consumption; reduction in our carbon emissions; progress in our equality, diversity and inclusion strategy (including an overall gender and ethnic diversity and increase and reductions in our median gender and ethnicity pay gaps); and above industry average scores in the Considerate Constructors Scheme.	5%	5%
		20%	19%

Helen Willis

Objective	Achievement during the year	Maximum	Award
	Strategic leadership driving continual improvements in and the embedment of rigorous risk management and commercial control throughout our operations including contract selection processes and commercial and operational assurance. Strategic oversight of improvements to systems and processes, including our digitalisation strategy. Continued improvements in our supply chain management processes including strengthening our approach to supplier relationship management to ensure we have capacity and capability to deliver predictable outcomes for our customers; active engagement, providing insight into areas such as sustainable procurement and production thinking; and investment in upskill programmes through the Supply Chain Sustainability School in addition to internal expertise in areas such as health and safety, carbon, modern slavery and sustainable procurement.	10%	9%
	Retained Best Companies 1 Star accreditation as a ‘Very Good Company to work for’ in the 2025 engagement survey. Consistent increase in employee engagement over the past four years, up 2.9% on 2024. Continued leadership driving our Sustainability programme including: • active sponsorship of the Company’s inclusion agenda including active contribution and support to our networks and Empower Programme. • refreshed our sustainable procurement and supply chain policy, positioning sustainable procurement as a strategic enabler. • improvements to data collection with the embedment of our Environmental Construction Data Tracker.	5%	5%
	Successfully negotiated terms with trustee of the defined benefit pension scheme resulting in significant returns of capital.	5%	5%
		20%	19%

(d) Vesting of the April 2023 LTIP award

The LTIP awards granted on 6 April 2023 to Alex Vaughan and Helen Willis were based on aggregate Adjusted EPS, TSR and ESG for the three years ended 31 December 2025. In line with the 2024 UK Corporate Governance Code requirements, the Committee confirms that there was no application of the recovery provisions in the reporting period.

Performance against the measures and the resulting vesting outcome is shown below. Aggregate Adjusted EPS for the three financial years (relating to 50% of the award), calculated on an adjusted basis approved by the Committee, was 39.0 pence as a result of which, this element of the LTIP awards is due to vest at 100%. Total shareholder return (TSR) growth (relating to 25% of the award) was achieved to the full extent. The environmental performance condition (relating to 15% of the award) and the gender diversity performance condition (relating to 5% of the award) were also achieved in full. The ethnic diversity performance condition (relating to 5% of the award) achieved the threshold metric. Therefore, the 2023 LTIP is due to vest at 96.3%.

The award vests in April 2026 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.

Performance measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Vesting outcome
Adjusted EPS ¹	50%	30.6p	35.6p	39.0p	100% (Outturn: 50%)
TSR performance ²	25%	50%	100%	312%	100% (Outturn: 25%)
ESG – reduction in Scope 1 and 2 carbon emissions compared to 2021 baseline	15%	16.2%	19.8%	58%	100% (Outturn: 15%)
ESG – improvement in AIP population gender diversity	5%	36%	39%	42%	100% (Outturn: 5%)
ESG – improvement in AIP population ethnic diversity	5%	6%	9%	6%	25% (Outturn: 1.3%)

¹ Aggregate Adjusted EPS over the financial years ending 31 December 2023, 2024 and 2025. 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 116.

² TSR performance is based on a one-month average prior to the start of the performance period and at the end of the performance period.

(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. 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’s annual fee was reviewed during 2025 and was increased from £202,800 to £209,900 with effect from 1 April 2025 (a 3.5% increase, in line with the average salary increase for the wider workforce).

(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 Chairing Board Committees. In 2025, Non-Executive Directors’ fees were increased by 3.5% in line with the average salary increase for the wider workforce. The annual fees set with effect from 1 April 2025 were as follows:

	Basic fee	Senior Independent Director	Audit and Risk Committee Chair	Remuneration Committee Chair
2025 fees				
Fees	£55,580	£9,108	£10,764	£10,764

Directors’ Remuneration Report continued

Grants made during the year

These tables and the associated footnotes have been audited by PwC LLP.

2025 LTIP grant

Grants were made under the LTIP on 9 April 2025 to Alex Vaughan, Helen Willis and other members of the senior leadership team. The grant level for the Executive Directors was 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 2025 LTIP are as follows:

Performance measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Adjusted EPS ¹	50%	38.8p	45.9p
TSR performance ²	25%	50%	100%
ESG – reduction in water pollution environmental incident rate ³	15%	40%	50%
ESG – improvement in wider leadership ⁴ gender diversity	5%	27%	33%
ESG – improvement in wider leadership ⁴ ethnic diversity	5%	16%	20%

¹ Aggregate Adjusted EPS over the financial years ending 31 December 2025, 2026 and 2027. 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 116.

² TSR growth over the financial years ending 31 December 2025, 2026 and 2027. 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.

³ Measured compared to 2024 baseline.

⁴ Employee bands D–F, which is a wider population of management below the Executive Board and senior management level than for the 2024 LTIP grant.

The Committee has the discretionary power to vary these targets should circumstances change such that the original targets are no longer considered appropriate (eg 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.

The share awards granted under the 2025 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	535,970	£536,328	31 December 2028	25%
Helen Willis	Nil cost option	442,995	£443,291	31 December 2028	25%

¹ Valued using the mid-market closing share price on the three business days prior to the date of grant (4, 7 and 8 April 2025), being 100.1 pence.

2025 SDP grant

The Company granted awards under the SDP to the Executive Directors on 9 April 2025, details of which are shown on page 88.

All-employee share plan

During 2025, 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 2025 as set out on page 88.

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 2025 and no payments have been made to past Directors.

Implementation of Policy in the year to 31 December 2026

Salary

As set out in the Committee Chair’s Statement, the Chief Executive Officer will receive a salary increase in 2026 of 3.5%, in line with the average salary increase for the wider workforce. The Chief Financial Officer will receive a salary increase of 5% (effective from 1 April 2026) in recognition of the scope of her responsibilities which have continued to expand since 2024, including the increased remit of the internal IT and Risk functions.

	Salary 2026	Salary 2025	% change
Alex Vaughan	£555,099	£536,328	3.5%
Helen Willis	£465,456	£443,291	5%

Chair’s fee

Taking into account the scope of the role, responsibilities, time commitments, and relevant market data, the Chair’s basic annual fee will be increased in 2026 from £209,898 to £250,000 per annum. The Chair is generally expected to use a proportion of the fees paid during the year (net of tax) to purchase shares.

Non-Executive Director fees

The Board (comprising the Executive Directors and the Chair) agreed fees of £6,250 for both the Workforce Engagement Director and the Sustainability Committee Chair (with effect from 1 April 2026) to reflect the time involved to fulfil the roles. The Workforce Engagement Director fee had previously been agreed as £5,000 for the period 1 January to end of March 2026. With effect from 1 April 2026, the following fee increases will also be implemented to align the Non-Executive Director fees more closely with the market-competitive range for companies of a similar scale and complexity

- The Non-Executive Director base fee will increase to £62,500 (2025: £55,580).
- The fees for the Audit and Risk Committe Chair and the Remuneration Committee Chair will increase to £12,500 (2025: £10,764) and the Senior Independent Director will increase to £12,500 (2025: £9,108).

Non-Executive Directors are generally expected to use a proportion of the base fees paid during the year (net of tax) to purchase shares.

	Basic fee	Senior Independent Director	Audit and Risk Committee Chair	Remuneration Committee Chair	Sustainability Committee Chair	Workforce Engagement Director
2026 fees						
Fees	£62,500	£12,500	£12,500	£12,500	£6,250	£6,250

2026 Annual Incentive Plan

Executive Directors and certain members of 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 2026 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 2026 AIP are as detailed below:

Performance measures	2026 AIP opportunity – maximum percentage of bonus	
	Chief Executive Officer	Chief Financial Officer
Adjusted operating profit (with 90% cash conversion)	45%	45%
Profit secured for 2027	15%	15%
Cash flow	15%	15%
Safety, health and environment	10%	10%
Strategic objectives	15%	15%
Total	100%	100%

The Committee has chosen not to disclose in advance the details of the performance targets for the year ending 31 December 2026, as these include items that 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.

Directors’ Remuneration Report continued

2026 LTIP grant

The grant level for the Executive Directors will be up to 125% of salary. It is expected the LTIP awards will be granted following the 2026 AGM. The LTIP award will be subject to the achievement of performance measures unchanged from 2025 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 LTIP)

Aggregate Adjusted EPS over the financial years ending 31 December 2026, 2027 and 2028	Vesting level for awards (as a % of maximum)
Below 46.3 pence	0%
46.3 pence	25%
Between 46.3 pence and 54.8 pence	26%–100% pro-rata
54.8 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 116 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 LTIP)

TSR growth over the financial years ending 31 December 2026, 2027 and 2028	Vesting level for awards (as a % of maximum)
Less than 50%	0%
50%	25%
More than 50% but less than 100%	26%–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 LTIP)

Environmental: Reduction in water pollution environmental incident rate compared to 2024 baseline (15% weighting)	Vesting level for awards (as a % of maximum)
Below 50%	0%
50%	25%
Between 50% and 60%	26%–100% pro-rata
60% or more	100%

Social: Equality, diversity and inclusion (EDI)

Improvement in wider leadership¹ gender diversity (5% weighting)	Vesting level for awards (as a % of maximum)
Below 27%	0%
27%	25%
Between 27% and 33%	26%–100% pro-rata
33% or more	100%

Improvement in wider leadership¹ ethnic diversity (5% weighting)	Vesting level for awards (as a % of maximum)
Below 16%	0%
16%	25%
Between 16% and 20%	26%–100% pro-rata
20% or more	100%

¹ Employee bands D – F, which is the same population of management as the 2025 LTIP grant

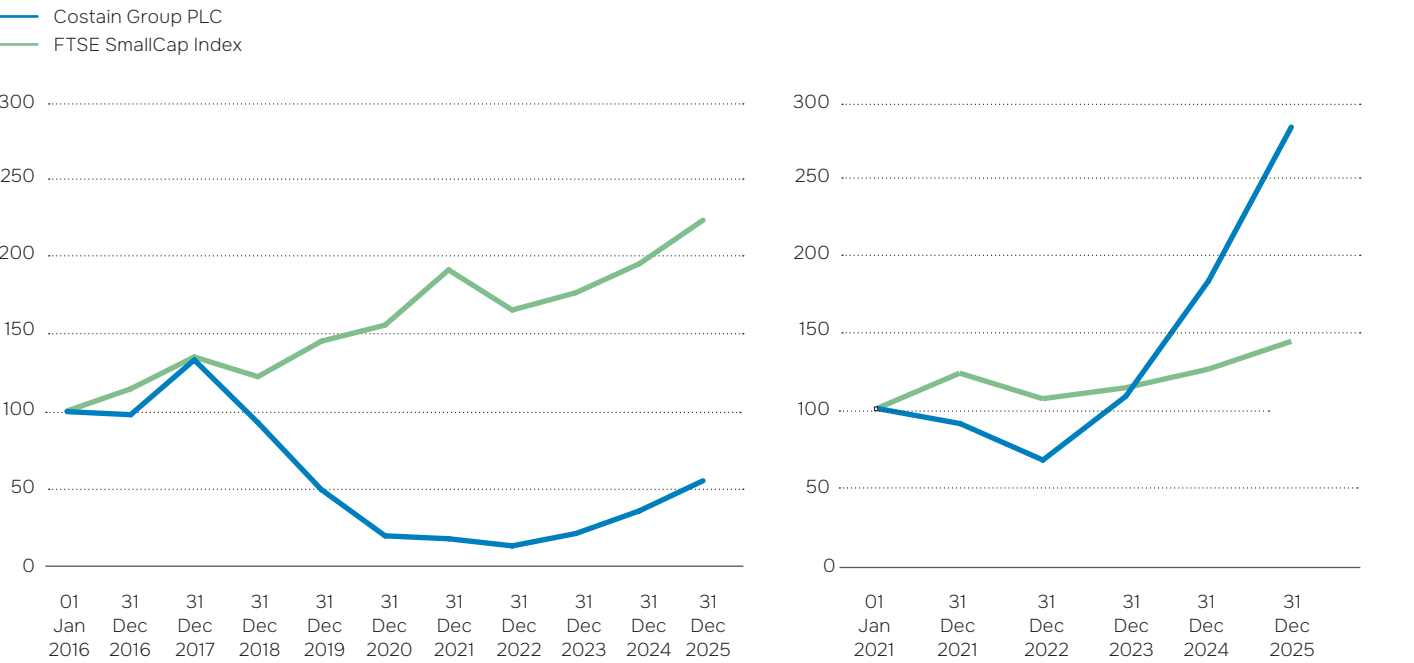
The Committee has the ability to adjust the targets in appropriate circumstances, for example, in the case of a material acquisition or divestment or other material transaction. This is to ensure that performance is measured on a fair and consistent basis and to ensure that the targets are not materially less or more difficult to satisfy.

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.

Other information

Performance graph

The graph to the below left shows the value, to 31 December 2025, of £100 invested in Costain Group PLC on 1 January 2016 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 was a constituent during the performance period and comprises companies of a similar size to Costain at that time. Additionally, the graph to the below right shows the value, to 31 December 2025, of £100 invested in Costain Group PLC on 1 January 2021 compared with the value of £100 invested in the FTSE SmallCap Index. Over the past five years since the successful capital raise in 2020, the management team have delivered growth in value and outperformance of the FTSE SmallCap index.



Directors’ Remuneration Report continued

Change in Chief Executive Officer’s remuneration

	2016	2017	2018	2019¹	2020	2021	2022	2023	2024²	2025
Chief Executive Officer	AW	AW	AW	AW/AV	AV	AV	AV	AV	AV	AV
Total remuneration	£1,089,943	£1,707,094	£1,560,601	£524,169	£447,710	£980,793	£1,146,715	£1,358,611	£2,401,804	£2,527,448
AIP (%)	75.4%	81%	62.5%	Nil	Nil	73%	72%	77.8%	89%	85%
LTIP vesting (%)	Nil	79.1%	100	Nil	Nil	25%	81.1%	74.5%	98%	96.3%

¹ Andrew Wyllie (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 Wyllie was £211,927 and for Alex Vaughan was £312,242.

² The total remuneration figure in this column has been restated, compared to the estimated values included in the 2024 Annual Report, to reflect the Company’s share price on the vesting date for the 2022 LTIP award on 9 April 2025 of 98.50p.

CEO pay ratio

The table below shows, for 2019 to 2025, 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
2025	Option B	54:1	39:1	30:1
	Total pay and benefits	£47,165	£64,166	£83,875
	Salary component	£42,888	£61,153	£77,441
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
2019¹	Option B	17:1	10:1	7:1

¹ The Single Total Figure of Remuneration for the CEO has been calculated as the total remuneration paid to Andrew Wyllie 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 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 movement in ratios from 2024 to 2025 reflects the strong outturns under the AIP and LTIP, driven by Company performance, with the increased value delivered under the LTIP reflecting growth in share price over the performance period. It is also influenced by the CEO’s pay increase for 2025, the second and last phase of a stepped increase, which was slightly above the workforce average.

The Board believes that the median pay ratio is consistent with the Group’s wider policies on pay, reward and progression.

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 2024–25 changes is set out below the table. Information relating to the changes between previous years is included in the relevant Directors’ Remuneration Reports.

	Average employee¹	Executive Directors Alex Vaughan	Helen Willis	Non-Executive Chair Kate Rock	Amanda Fisher	Non-Executive Directors Fiona MacAulay	Steve Mogford	Tony Quinlan
Salary/fees²								
2024–2025	6.0	5.4	5.0	3.6	3.9	3.9	3.9	3.8
2023–2024	5.6	8.8	8.8	3	N/A	5	N/A	4
2022–2023	6.6	4.5	4.5	N/A	N/A	N/A	N/A	5.2
2021–2022	3.6	3	2	N/A	N/A	N/A	N/A	N/A
2020–2021	5	10	N/A	N/A	N/A	N/A	N/A	N/A
Taxable benefits³								
2024–2025	(4.6)	76.9⁴	15.2⁴	N/A	N/A	N/A	N/A	N/A
2023–2024	(23)	36.9⁵	10⁵	N/A	N/A	N/A	N/A	N/A
2022–2023	0.0	4.7	3.1	N/A	N/A	N/A	N/A	N/A
2021–2022	0.2	(80)	1	N/A	N/A	N/A	N/A	N/A
2020–2021	(6)	(16)	N/A	N/A	N/A	N/A	N/A	N/A
Annual Bonus⁶								
2024–2025	4.9	(0.7)	(1.2)	N/A	N/A	N/A	N/A	N/A
2023–2024	12	25.8	25.8	N/A	N/A	N/A	N/A	N/A
2022–2023	55.8	13.5	13.4	N/A	N/A	N/A	N/A	N/A
2021–2022	(7)	2	2	N/A	N/A	N/A	N/A	N/A
2020–2021	236	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 Average salary for employees is calculated based on the annual monthly UK salary bill divided by the average number of monthly paid UK employees.

³ 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.

⁴ Reflects an increase in car benefit for Alex Vaughan, increased costs associated with the private medical insurance and travel allowance post the change in location of head office. Please see page 77 for more information.

⁵ Updated to reflect the restated taxable benefits received in 2024 (see the notes to the single figure table on page 76 for more information).

⁶ Bonus figures are calculated on the total bonus payments made to monthly employees divided by the average number of monthly paid employees.

Directors’ Remuneration Report continued

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 2024 to the financial year ended 31 December 2025.

	2025 £m	2024 £m	% change
Overall expenditure on pay	235.8	233.3	1.07
Dividends and share buybacks	17.9	13.3	34.59

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 ¹²	Termination period ¹
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 2025	1 November 2028	3 months
Amanda Fisher	1 December 2023	1 December 2023	1 December 2026	1 month
Fiona MacAulay	6 April 2022	6 April 2025	6 April 2028	3 months
Steve Mogford	1 November 2023	1 November 2023	1 November 2026	1 month
Tony Quinlan	1 February 2021	1 February 2024	1 February 2027	1 month

¹ The appointment of a Non-Executive Director may be terminated by reasonable notice on either side. During 2025, it was agreed that Non-Executive Directors should move to a three-month termination period. This will be updated as current terms are renewed.

² In accordance with the 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.

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 ^a	Balance at 1 January 2025 ^b	Granted during year	Share price at date of grant (p)	Vested during year	Lapsed during year	Exercised during the year	Market price at date of exercise (p) ^c	Average market price (p) ^d	Value of shares at date of sale/ retention of balance ^e (£)	Balance at 31 December 2025	Actual/ expected vesting/ release date
Alex Vaughan	07.05.19 [*]	36,787	-	325	-	-	-	-	-	-	36,787	May-24
	07.10.20 ^{**}	455,924	-	42.2	-	-	455,924	144	142	347,960	-	Apr-25
	08.04.21	529,438	-	61.0	-	-	-	-	-	-	529,438	Apr-26
	06.04.22	1,124,685	-	39.7	1,124,685	-	-	-	-	-	1,124,685	Apr-27
	06.04.23 ¹	849,275	-	55.2	-	-	-	-	-	-	849,275	Apr-28
	09.04.24 ²	743,798	-	77.4	-	-	-	-	-	-	743,798	Apr-29
Helen Willis	09.04.25 ³	-	535,970	100.1	-	-	-	-	-	-	535,970	Apr-30
	30.11.20 ^{**}	212,940	-	53.7	-	-	212,940	144	142	162,516	-	Apr-25
	08.04.21	439,671	-	61.0	-	-	-	-	-	-	439,671	Apr-26
	06.04.22	934,005	-	39.7	934,005	-	-	-	-	-	934,005	Apr-27
	06.04.23 ¹	705,253	-	55.2	-	-	-	-	-	-	705,253	Apr-28
	09.04.24 ²	630,878	-	77.4	-	-	-	-	-	-	630,878	Apr-29
	09.04.25 ³	-	442,995	100.1	-	-	-	-	-	-	442,995	Apr-30

a 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.

b Subject to note 3 below, awards under the LTIP are structured as options with a nil cost exercise price. 2019 awards were adjusted for the capital raising using the adjustment factor of 1.0625.

c Price achieved for sale of balance of awards sold post those sold to cover tax and national insurance contributions.

d Price used to determine the number of shares sold to cover tax and national insurance contributions.

e Value calculated using the Market price at date of exercise excluding shares deducted to settle tax and national insurance contributions.

1 Details of the performance conditions for the 2023 LTIP and performance against these conditions are on page 79.

2 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.

3 Details of the performance conditions for the 2025 LTIP are on page 80.

^{*} Alex Vaughan received a further 2,052 dividend equivalent of shares over his 2019 LTIP award of 34,735 shares, which he will receive on exercise of his award.

^{**} Alex Vaughan received a further 6,704 dividend equivalent of shares over his 2020 LTIP award of 449,220 shares, which he received on exercise of his award. Helen Willis received a further 3,131 dividend equivalent of shares over her 2020 LTIP award of 209,809 shares, which she received on exercise of her award.

At 31 December 2025, the derived mid-market price of the ordinary shares in the Company, as advised by the Company’s brokers was 159.6 pence. The range of the closing share price of an ordinary share during 2025 was 86.0 pence to 170.0 pence.

Directors’ Remuneration Report continued

Share awards under the Share Deferral Plan (SDP)

Details of the Executive Directors’ participation in the SDP are as follows overleaf:

Director	Date granted	Balance at 1 January 2025	Granted during year ¹	Share price at date of grant (pence)	Vested during the year	Exercised during the year	Lapsed during year	Market price at date of exercise (p) ²	Average market price (p) ³	Value of shares at date of sale/ retention of balance ⁴ (£)	Balance at 31 December 2025 ¹	Actual/ expected vesting/ release date
Alex Vaughan	06.04.23	291,195	–	55.2	291,195	291,195	–	144.0	142.0	225,819	–	April 2025
	09.04.24	235,611	–	77.4	–	–	–	–	–	–	235,611	April 2026
	09.04.25	–	229,333	100.1	–	–	–	–	–	–	229,333	April 2027
Helen Willis	06.04.23	241,826	–	55.2	241,826	241,826	–	144.0	142.0	187,534	–	April 2025
	09.04.24	195,656	–	77.4	–	–	–	–	–	–	195,656	April 2026
	09.04.25	–	190,466	100.1	–	–	–	–	–	–	190,466	April 2027

¹ Awards under the SDP are structured as options with a nil cost exercise price.
² Price achieved for sale of balance of awards sold post those sold to cover tax and national insurance contributions.
³ Price used to determine the number of shares sold to cover tax and national insurance contributions.
⁴ Value calculated using the Market price at date of exercise excluding shares deducted to settle tax and national insurance contributions.

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 (pence) 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	19.10.2023	6,974	–	50.0	–	–	–	–	–	6,974	Dec 2026–Jun 2027
	11.10.2024	4,568	–	81.2	–	–	–	–	–	4,568	Dec 2027–Jun 2028
	10.10.2025	–	3,578	102.0	–	–	–	–	–	3,578	Dec 2028–Jun 2029
Helen Willis	19.10.2023	6,974	–	50.0	–	–	–	–	–	6,974	Dec 2026–Jun 2027
	11.10.2024	4,568	–	81.2	–	–	–	–	–	4,568	Dec 2027–Jun 2028
	10.10.2025	–	3,578	102.0	–	–	–	–	–	3,578	Dec 2028–Jun 2029

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 a SAYE Scheme share option in 2025 and, therefore, there was no gain on exercise. The Company granted no options under the SAYE Scheme in 2020, 2021 or 2022.

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. 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 2025 are as set out below. There have been no changes in shareholdings between 31 December 2025 and the date of signing of the report.

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 31.12.25 (% of salary/fee) ^{5, 6}
Alex Vaughan	570,737	464,944	1,690,910	15,120	200%	510%
Helen Willis	253,793	386,122	1,373,676	15,120	200%	427%
Kate Rock	125,000	–	–	–	N/A	N/A
Amanda Fisher	10,000	–	–	–	N/A	N/A
Fiona MacAulay	6,347	–	–	–	N/A	N/A
Steve Mogford	–	–	–	–	N/A	N/A
Tony Quinlan	25,000	–	–	–	N/A	N/A

¹ Including shares held by persons closely associated.
² Balance of SDP awards net of shares sold to cover tax and national insurance.
³ Balance of vested but unexercised LTIP awards net of shares sold to cover tax and national insurance.
⁴ Not included in the total actual shareholding as shares not yet vested.
⁵ Calculated by reference to the mid-market share price of £1.596 on 31 December 2025.
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

9 March 2026

Directors’ Report

The Directors of the Company present their report together with the audited consolidated accounts for the year ended 31 December 2025.

The Governance Report on pages 42 to 90 and the Strategic Report on pages 4 to 41 (and in particular pages 18 to 31 and 53), 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 24 to 31.

Annual General Meeting (AGM)

The Company’s 2025 AGM will be held on Thursday 14 May 2026. The Notice of AGM accompanies this Annual Report and is available on our website, www.costain.com.

Profit, dividend payments and dividend policy

The profit after tax for the financial year ended 31 December 2025 was £37.3m (2024: £30.6m). An interim dividend of 1 pence per ordinary share was paid on 17 October 2025 (2024: 0.4 pence paid on 18 October 2024). Subject to approval at the 2026 AGM, a final dividend of 3.2 pence for the year ended 31 December 2025 will be paid on 26 May 2026 (2024: 2.0 pence paid on 29 May 2025) to shareholders on the register of members at close of business on 17 April 2026. The total dividend paid for the year will, therefore, be 4.2 pence per ordinary share (2024: 2.4 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

The issued share capital of the Company as at 31 December 2025 was £2,667,148.95, consisting of 266,714,895 ordinary shares of £0.01 each. Further details of the share capital of the Company can be found in note 22 on page 148.

Further to approval at the 2025 AGM, and as announced on 16 June 2025, the Company began a £10m on-market share buyback programme on 19 June 2025. Shares were purchased by Investec Bank PLC from commencement until 25 July 2025 and then by Panmure Liberum Limited until completion on 15 August 2025. A total of 6,395,100 shares were purchased and subsequently cancelled.

The awards granted in April 2022 under the 2014 Long-Term Incentive Plan (LTIP) matured as at 31 December 2024, resulting in 100% vesting. Details regarding the vesting of the 2022 LTIP awards can be found in the Directors’ Remuneration Report on pages 76 and 87. Details regarding the 2023 LTIP awards that are due to vest in April 2026 can also be found in the Directors’ Remuneration Report on page 79.

There were no share options granted under the Company’s Save As You Earn (SAYE) Scheme in 2022, therefore, no SAYE Scheme maturity took place in 2025. In October 2025, a grant of 3,071,313 shares was made under the SAYE Scheme. Further details of the SAYE Scheme can be found on page 88 in the Directors’ Remuneration Report.

At the 2025 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 2028 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. Further information on the Scrip Dividend Scheme is set out on page 155. 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 2025:

Purpose	Recipient	Number of shares	Nominal value
LTIP awards	Employee share trust	3,800,000	£38,000
Scrip dividend scheme	Scrip participants	543,908	£5,439.08

Directors’ Report continued

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

Notifications provided to the Company by major shareholders in accordance with the Disclosure Guidance and Transparency Rules (DTR) are published via a Regulatory Information Service and on the Company’s website. The Company has been notified of the following interests in voting rights in its shares as at 31 December 2025. Please note that percentages provided are as at the date of notification:

Shareholder	Date of notification	Number of shares/voting rights	% of voting rights notified as at 31 December 2025
UBS ¹	31/12/2025	15,919,463	5.97
FIL Limited	21/10/2025	13,396,456	5.02
Oasis Management Company Limited	06/10/2025	26,779,487	10.04
OP Fund Management Ltd	14/07/2025	8,127,753	3.00
Ennismore Fund Management Limited	19/06/2025	8,100,805	2.97
J O Hambro Capital Management Limited	07/05/2025	13,408,080	4.92

¹ As at 6 March 2026, the latest practicable date, UBS held less than 5% of the shares/voting rights.

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 discretion 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 15 May 2025, shareholders granted an authority to the Directors to allot ordinary shares up to an aggregate nominal amount of £895,886 (89,588,600 shares).

This authority is due to expire at the end of the upcoming AGM or, if earlier, at close of business on 15 August 2026. 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 AGM, which accompanies this Annual Report (Notice of 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 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 that 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 2025, and a total 6,395,100 shares (nominal value of £63,951.00) were purchased and subsequently cancelled.

The Company did not buyback any shares during the period from 1 January 2026 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 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 2025, JTC Share Plan Trustee (Guernsey) Limited, as trustee of the Costain Group Employee Trust, held 2.25% (2024: 1.53%) 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 146 to 148. The trustee does not exercise any right to vote or to receive a dividend in respect of its shareholding.

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 Chief Executive Officer, Chief Financial Officer and Investor Relations and Corporate Communications 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 18 and 19.

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 Remuneration Committee Chair, Fiona MacAulay, contacts the Company’s top 10 shareholders on an annual basis to explain how the current Directors’ Remuneration Policy has been applied in the year and inviting engagement. Ahead of the triennial Directors’ Remuneration Policy renewal at the upcoming AGM, shareholders were engaged to discuss the structure of Executive pay (please see page 66 for more information).

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 the inside of the back cover).

Accountability

Financial and business reporting

The Board is required by the 2024 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 95 together with the statement on the status of the Company as a going concern in note 2 to the financial statements on page 113 and the financial viability statement on page 40.

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 41 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 113 and the long-term viability statement is set out on page 40.

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 34 to 39 of the Strategic Report and in the Audit and Risk Committee Report on pages 54 to 57.

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 56 of the Audit and Risk Committee Report.

Directors’ Report continued

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 Chief Executive Officer and Chief Financial Officer.

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 56 of the Audit and Risk Committee Report.

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 2025 (2024: 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 AGM.

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 137 to 141. 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, Nuclear, Defence, Water and Rail sectors. The Group’s engineers and technical staff in these sectors seek to develop and deliver technical advances in sustainable energy and material solutions, digital capability to improve safety performance and drive efficiency through modern methods of construction and productivity efficiencies through new ways of working. (see pages 3, 16 to 17, 20 to 21 and the operational review on pages 12 to 15). In undertaking certain elements of this research and development work, the Group is supported by arrangements with clients, academia and various technology specialists.

Greenhouse gas emissions

Page 31 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 149 to 152. The Company has one overseas branch in Abu Dhabi.

Directors

Biographies of the Board are given on pages 42 and 43 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.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Company’s articles, the 2024 UK Corporate Governance Code, the Companies Act 2006 and related legislation. 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 Association 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. Details of appointment dates and termination periods are available in the Directors Remuneration Report on page 51.

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 effective procedures in place for managing conflicts of interest, which have been operated during the year. 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 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 2025, are contained in the Directors’ Remuneration Report, which appears on pages 62 to 88.

Directors’ indemnity

Costain Group PLC maintains liability insurance for its Directors and officers. There were no subsisting indemnities in favour of its Directors or Officers during 2025.

Diversity

Details of the Company’s policy on diversity and inclusion within the business (including at Board level), are provided in the Nomination Committee Report on pages 58 to 61. 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 126.

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.

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’. Amanda Fisher was appointed as Workforce Engagement Director during 2025, details of her visits are included on page 53.

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 80 and 88, a grant was made under the SAYE Scheme in 2025.

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 18 to 21 and the workforce engagement section on page 53 of the Governance Report.

Additionally, the Company engages with subcontractors via the twice-yearly safety, health and environment (SHE) impact days and monthly leadership engagement visits to projects and sites.

Additional information regarding the Company’s charitable giving can be found on pages 1 and 17.

Directors’ Report continued

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 153. There have been no other related party transactions during the year.

Disclosure of information to the 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 themselves 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

9 March 2026

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

9 March 2026

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 2025 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 as at 31 December 2025;
- the Company Statement of Financial Position as at 31 December 2025;
- the Consolidated Income Statement for the year then ended;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended;
- 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 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 three other 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 a number of additional inconsequential components for the Group audit.
- The Group engagement team audited the Company and other centralised functions, including those covering the Group tax operations, post-retirement benefits and goodwill impairment assessments. The Group engagement team performed audit procedures over the Group consolidation and financial statement disclosures and performed risk assessment analytics over balances out of scope for non-significant components.
- In total, our scope accounted for approximately 95% (2024: 96%) of Group revenues and 97% (2024: 90%) of Group profit before tax. The percentage of Group profit before tax is calculated on an absolute basis, which aggregates component profits and losses.

Key audit matters

- Contract accounting, excluding schedule of rates and pure cost plus contracts (Group)
- Carrying value of investments in Group subsidiary companies (Company)

Materiality

- Overall Group materiality: £5,200,000 (2024: £5,500,000) based on 0.5% of revenue (2024: Professional judgement (at equivalent to 0.44% of the Group’s revenue)).
- Overall Company materiality: £2,700,000 (2024: £2,360,000) based on 1% of total assets.
- Performance materiality: £ 3,900,000 (2024: £4,125,000) (Group) and £2,025,000 (2024: £1,770,000) (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.

Impairment of Goodwill (Group) and the Presentation of Group’s financial performance (Group), which were key audit matters last year, are no longer included because of the improvement in the order book and performance of both the Transportation and Natural Resources divisions, including the reduction in audit risk, and due to the reduction of the quantum of adjusting items in the current year. Otherwise, the key audit matters below are consistent with last year.

Independent Auditors’ Report to the Members of Costain Group PLC continued

Key audit matter	How our audit addressed the key audit matter
Contract accounting, excluding schedule of rates and pure cost plus contracts (Group) Refer to the Audit and Risk Committee Report, note 2 (Summary of material accounting policies and significant areas of judgement and estimation), note 4 (operating segments), note 15 (Assets and liabilities related to contracts with customers) and note 16 (Trade and other receivables). 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 cost plus contracts with specific risk and / or incentive clauses (contracts where the revenue is based on the actual costs incurred plus an agreed fee adjusted for risk including as an example, pain/gain mechanisms or a fee moderation matrix). Revenue and associated costs on stage of completion or risk and incentive cost plus contracts are a significant risk for our audit because of the inherent uncertainty in estimates of the forecast costs and adjustment clauses impacting revenues on contracts. An error in the contract forecast or risk and incentive calculations could result in a material variance in the amount of revenue and associated profit or loss recognised to date and therefore, within the current financial year. The Group’s portfolio of contracts typically use standard forms of construction contracts, however, given the complex nature and programmes of work undertaken, the majority of contracts are further tailored to include, for example, incentive or other risk sharing mechanisms that require estimates to be made. These estimates include but are not limited to project or alliance pain / gain mechanisms and programme and cost incentives. 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. 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'. 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 (excluding schedule of rate contracts and pure cost plus contracts) as a Key Audit Matter and were particularly focussed on the existence / occurrence and accuracy of revenue recognition.	We focussed our work on those contracts with the greatest estimation uncertainty and requiring the most judgement over the final contract position and, therefore, the impact on the current year revenue and profitability. We selected risk based contracts on a targeted basis for our testing, based on both quantitative and qualitative criteria, including: • contracts with high levels of revenue recognised in the year; • low margin or loss making contracts; • contracts with significant margin movements; • contracts with significant balance sheet exposure, in particular high levels of contract assets; and • 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. Our audit procedures were tailored according to the specific risk profile of each contract and included, but were not limited to, the following procedures: • Obtaining an understanding of the relevant contractual clauses, terms and conditions, and agreeing forecast revenue to signed contracts and variations, as well as agreed compensation events or other corroborative and supporting documentation; • Challenging management’s key assumptions in the end life revenue, 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; • Challenging those assumptions in respect of estimated recoveries from subcontractors, designers, and insurers included in the forecast, to determine their recoverability; • Substantively testing a sample of actual costs incurred to date to check that these are complete and had been recorded accurately; • Performing a margin analysis on the end-of-life forecasts to assess the performance of the contract portfolios year on year; • 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; • Reconciling revenue recognised with amounts applied for and amounts certified by clients; • 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-rate to challenge the completeness and accuracy of the forecast costs to complete, including any cost contingencies held; • 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; and • 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.

Key audit matter	How our audit addressed the key audit matter
	For the residual contract population (‘the tail’), performing risk based procedures including, but not limited to, the following procedures: • Testing contract assets / liabilities by recomputing the revenue and verifying to project certifications as at 31 December 2025; • Testing the cost to come forecasts (where relevant to the nature of the contract); and • Review the contract forecast report for any unusual items including verifying any testing material unagreed changes. Based on all of the evidence obtained from the above procedures, we concluded that the recognition of contract revenues and profits / losses was materially 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
Carrying value of investments in Group subsidiary companies (Company) The Company holds investments in subsidiaries of £161.0m (2024: £157.9m) as disclosed in note 14. 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. 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. 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 subsidiary investments, our audit procedures included, but were not limited to the following: • Assessing the accounting policy for investments in subsidiaries to ensure this was compliant with accounting standards; • Obtaining management’s assessment of impairment indicators in respect of the carrying value of the Company’s investments in subsidiaries, taking into account relevant intercompany balances, and validating the conclusions reached by management that no impairment indicators exist that would trigger the requirement for an impairment assessment to be performed; • In doing this, we considered the market capitalisation of the Company at 31 December 2025, which exceeded the carrying value of investments in subsidiary undertakings; and • We also considered the latest expected performance of the Group by comparing the cash flow forecasts audited as part of other audit matters to those estimated in the prior year by management, as well as the performance in the year. 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 appropriate.

Independent Auditors’ Report to the Members of Costain Group PLC continued

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 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 & Construction Limited (significant component due to risk). We have identified three other non-significant components, Richard Costain Limited, Costain Group PLC 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. All work is undertaken by the Group engagement team.

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, ensuring this is consistent with our knowledge from the 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	£5,200,000 (2024: £5,500,000).	£2,700,000 (2024: £2,360,000).
How we determined it	0.5% of revenue (2024: Professional judgement (at equivalent to 0.44% of the Group’s revenue))	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. We concluded that an amount of £5.2m was appropriate, which represents 0.5% 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. The higher Company materiality level was used for the purposes of testing balances not relevant to the Group audit, such as investments in subsidiary undertakings and intercompany balances.

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 components was between £0.6m and £4.6m. 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% (2024: 75%) of overall materiality, amounting to £3,900,000 (2024: £4,125,000) for the Group financial statements and £2,025,000 (2024: £1,770,000) 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 £260,000 (Group audit) (2024: £275,000) and £135,000 (Company audit) (2024: £118,000) 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 the Group and Company’s cash flow, liquidity and covenant forecasts in the context of the Group and Company’s 2025 financial position, and its banking and related facilities which extend until September 2029 (with an optional one-year extension to September 2030);
- understanding and assessing the appropriateness of the key assumptions used both in the base case and in the severe but plausible downside scenario, including assessing whether we considered the downside scenarios to be appropriately severe;
- 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 the debt facility agreements and agreeing the key terms and financial covenants assessed by management back to these;
- 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; 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 2025 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’ Responsibility 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, anti-bribery and corruption legislation and construction laws, 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 UK 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;
- Reading the minutes of Board meetings to identify any inconsistencies with other information provided by management;
- Assessing legal expense accounts to identify significant legal spend that may be indicative of non-compliance with laws and regulations;
- Assessment of matters reported on the Group’s whistleblowing helpline and the results of management’s investigation of such matters;
- Challenging estimates and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting (see the related key audit matter above);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Incorporating an element of unpredictability into our procedures, aligned to our fraud risk assessment; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

We were first appointed by the Company for the financial year ended 31 December 2017. Our uninterrupted engagement covers 9 financial years.

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.

Christopher Richmond (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

9 March 2026

Consolidated Income Statement

Year ended 31 December 2025

	Note(s)	2025 £m	2024 £m
Continuing operations			
Revenue	4	1,045.7	1,251.1
Cost of sales	5	(931.9)	(1,147.8)
Gross profit		113.8	103.3
Administrative expenses	5	(69.0)	(72.2)
Operating profit	4/5	44.8	31.1
Share of results of joint ventures and associates	14	(0.4)	–
Profit from operations	4/5	44.4	31.1
Finance income	8	8.0	9.3
Finance expense	8	(4.2)	(3.9)
Net finance income		3.8	5.4
Profit before tax	4/5	48.2	36.5
Taxation	9	(10.9)	(5.9)
Profit for the year attributable to equity holders of the parent		37.3	30.6
Earnings per share			
Basic	10	13.9p	11.3p
Diluted	10	13.7p	11.1p

The Consolidated Income Statement shows the income and expenses from continuing operations.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2025

	2025 £m	2024 £m
Profit for the year	37.3	30.6
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation transferred to the income statement	(1.0)	-
Total items that may be reclassified subsequently to profit or loss	(1.0)	-
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement benefit asset	2.1	(3.1)
Tax recognised on remeasurement of retirement benefit asset	(0.5)	0.8
Tax recognised on share-based payments	0.8	-
Total items that will not be reclassified to profit or loss	2.4	(2.3)
Other comprehensive income/(expense) for the year	1.4	(2.3)
Total comprehensive income for the year	38.7	28.3

Consolidated Statement of Financial Position
As at 31 December 2025

	Note	2025 £m	2024 £m
Assets			
Non-current assets			
Intangible assets	12	51.1	51.2
Property, plant and equipment	13	34.5	35.3
Equity accounted investments	14	-	0.4
Retirement benefit asset	21	60.0	54.9
Trade and other receivables	16	2.3	4.3
Deferred tax	9	2.9	8.6
Total non-current assets		150.8	154.7
Current assets			
Trade and other receivables	16	191.5	185.3
Insurance recovery asset	20	4.3	8.8
Income tax	9	-	1.5
Cash and cash equivalents – with restrictions	17	26.0	38.4
Cash and cash equivalents	17	189.3	158.5
Total current assets		411.1	392.5
Total assets		561.9	547.2
Liabilities			
Non-current liabilities			
Other payables	19	1.1	1.8
Lease liabilities	13	16.5	12.8
Total non-current liabilities		17.6	14.6
Current liabilities			
Trade and other payables	19	267.4	271.0
Income tax	9	0.3	-
Lease liabilities	13	8.5	13.0
Provisions for other liabilities and charges	20	9.9	12.9
Total current liabilities		286.1	296.9
Total liabilities		303.7	311.5
Net assets		258.2	235.7
Equity			
Share capital	22	2.7	2.7
Share premium		17.1	16.5
Translation reserve		(0.4)	0.6
Treasury shares		(1.1)	(0.7)
Capital redemption reserve		136.5	136.5
Retained earnings		103.4	80.1
Total equity		258.2	235.7

The financial statements on pages 105 to 153 were approved by the Board of Directors on 9 March 2026 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 2025

	Note	2025 £m	2024 £m
Assets			
Non-current assets			
Investments in subsidiaries	14	161.0	157.9
Total non-current assets		161.0	157.9
Current assets			
Trade and other receivables	16	1.2	0.6
Cash and cash equivalents	17	108.1	77.5
Total current assets		109.3	78.1
Total assets		270.3	236.0
Liabilities			
Non-current liabilities			
Provisions for other liabilities and charges	20	0.5	0.5
Total non-current liabilities		0.5	0.5
Current liabilities			
Trade and other payables	19	60.9	46.6
Income tax	9	–	0.2
Provisions for other liabilities and charges	20	0.1	0.1
Total current liabilities		61.0	46.9
Total liabilities		61.5	47.4
Net assets		208.8	188.6
Equity			
Share capital	22	2.7	2.7
Share premium		17.1	16.5
Capital redemption reserve		136.5	136.5
Retained earnings		52.5	32.9
Total equity		208.8	188.6

The profit for the year attributable to the Company was £34.4m (2024: £2.6m).

The financial statements on pages 105 to 153 were approved by the Board of Directors on 9 March 2026 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 2025

	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 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	(136.4)	–	–	1.2	136.4	(1.2)	–
Share buyback	(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
At 1 January 2025	2.7	16.5	0.6	(0.7)	136.5	80.1	235.7
Profit for the year	–	–	–	–	–	37.3	37.3
Other comprehensive (expense)/income	–	–	(1.0)	–	–	2.4	1.4
Shares awarded to satisfy employee share schemes	–	–	–	1.6	–	(1.6)	–
Equity-settled share-based payments	–	–	–	–	–	3.1	3.1
Acquisition of treasury shares	–	–	–	(2.0)	–	–	(2.0)
Share buyback (note 22)	–	–	–	–	–	(10.0)	(10.0)
Dividends paid (notes 11/22)	–	0.6	–	–	–	(7.9)	(7.3)
At 31 December 2025	2.7	17.1	(0.4)	(1.1)	136.5	103.4	258.2

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.

£1.0m of cumulative exchange differences, recognised historically in other comprehensive income and carried forward in the translation reserve, has been reclassified to the consolidated income statement in the year as a result of Costain no longer controlling a foreign entity previously treated as a subsidiary undertaking.

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 2025

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
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	(136.4)	–	136.4	–	–
Share buyback	(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
At 1 January 2025	2.7	16.5	136.5	32.9	188.6
Total comprehensive income	–	–	–	34.4	34.4
Equity-settled share-based payments granted to employees of subsidiaries	–	–	–	3.1	3.1
Share buyback (note 22)	–	–	–	(10.0)	(10.0)
Dividends paid (notes 11/22)	–	0.6	–	(7.9)	(7.3)
At 31 December 2025	2.7	17.1	136.5	52.5	208.8

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 2025

	Note(s)	2025 £m	2024 £m
Cash flows generated from/(used by) operating activities			
Profit for the year		37.3	30.6
Adjustments for:			
Share of results of joint ventures and associates	14	0.4	–
Finance income	8	(8.0)	(9.3)
Finance expense	8	4.2	3.9
Taxation	9	10.9	5.9
Loss on disposals of property, plant and equipment		0.4	0.6
Depreciation of property, plant and equipment	5/13	11.8	11.9
Amortisation of intangible assets	5/12	1.1	0.3
Transfer from translation reserve		(1.0)	–
Share-based payments expense	6/21	3.1	2.3
Cash generated from operations before changes in working capital and provisions		60.2	46.2
(Increase)/decrease in receivables		(3.1)	15.0
Decrease in payables		(3.4)	(13.4)
Decrease in provisions		(3.0)	(4.2)
Contributions to defined benefit pension scheme		–	(1.9)
Cash generated from operations		50.7	41.7
Interest received		6.0	6.7
Interest paid		(4.7)	(3.5)
Taxation paid		(0.7)	(2.2)
Net cash generated from operating activities		51.3	42.7
Cash flows generated from/(used by) investing activities			
Additions to owned property, plant and equipment and leasehold improvements	13	(1.4)	(5.5)
Additions to intangible assets	12	(1.4)	(3.6)
Proceeds on disposals of property, plant and equipment		–	0.1
Net cash used by investing activities		(2.8)	(9.0)
Cash flows generated from/(used by) financing activities			
Ordinary dividends paid	11	(7.3)	(3.2)
Share buyback		(10.0)	(10.0)
Acquisition of treasury shares		(2.0)	(1.1)
Repayments of lease liabilities – principal	17	(10.8)	(11.3)
Net cash used by financing activities		(30.1)	(25.6)
Net (decrease)/increase in cash and cash equivalents – with restrictions	17	(12.4)	14.0
Net increase/(decrease) in cash and cash equivalents	17	30.8	(5.9)
Net increase in cash and cash equivalents (including cash with restrictions)		18.4	8.1
Cash and cash equivalents at beginning of the year (including cash with restrictions)	17	196.9	188.8
Cash and cash equivalents at end of the year (including cash with restrictions)	17	215.3	196.9

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 155 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 2025 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 9 March 2026.

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);
 - 134–136 (capital management disclosures);
- IAS 7, ‘Statement of cash flows’;
- Paragraph 17 of IAS 24, ‘Related party disclosures’ (key management compensation); and
- 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. In 2025, the Group successfully concluded negotiations with its bank and surety facility providers to refinance a new four-year agreement of its bank and bonding facilities to September 2029, with an option to extend by a further year. The Group’s new facilities agreement replaces the previous three-year facilities agreement to September 2026, and comprises a £100m revolving credit facility (RCF) (previous RCF: £85m) and surety and bank bonding facilities totalling £295m (previous facilities: £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 2025, 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 £30m bank bonding and £265m surety bonding facilities.

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2025, 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 12 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 2027, 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 (–30% on work to be secured), lower margins (–3% on work to be secured), 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 2025:

- Lack of Exchangeability – Amendments to IAS 21.

The Group also elected to adopt the following amendments early:

- Amendments to the Classification and Measurement of Financial Instruments – amendments to IFRS 9 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 2025 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.

IFRS 18 is effective from 1 January 2027 and has not yet been adopted by the Group. The Group is in the process of determining the impact of applying IFRS 18 on the financial statements, having prepared a transition plan, and is on track to report its first IFRS 18-compliant interim financial statements for the period-ending 30 June 2027 and annual financial statements for the period-ending 31 December 2027. The Group will provide an update on the progress towards transition to IFRS 18 at each subsequent reporting period.

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 loss of control. Translation differences that arose before the date of transition to IFRS in respect of all foreign operations are not presented as a separate component.

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, costs of a function or sector-wide restructuring programme, 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.

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 transaction price of the contract, net of value-added tax. The Group assesses all contracts for whether it is acting as principal or agent.

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. Incremental costs to obtaining a contract are written off as incurred as they are not recovered through the contract.

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, which is subject to certification but which has not yet been certified, such that the right to receive the consideration is conditioned on something other than the passage of time. Revenue earned and (where relevant) certified, which creates an unconditional right to consideration, is 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. In the case where a contract liability exceeds the remaining revenue to be earned on a contract, the excess is disclosed as an other payable.

Notes to the Financial Statements continued

2 Summary of material accounting policies continued
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).

Finance income

Interest income on financial assets at amortised cost or at fair value through other comprehensive income is calculated using the effective interest method and is recognised in profit or loss as finance income.

Finance expense

Interest expense includes interest calculated on financial liabilities at amortised cost using the effective interest rate method, interest in respect of lease liabilities, the unwinding of the effect of discounting provisions and other costs associated with the Group’s management of cash and is recognised in profit or loss as finance expense.

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 economic lives as follows:

Leasehold improvements	– lease term
Plant and equipment	– 3 to 10 years

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 provision 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 as follows 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.

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.

Notes to the Financial Statements continued

2 Summary of material accounting policies continued

Leases continued

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 under contracts where Costain is acting as a principal.

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 (ie as prices) or indirectly (ie 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.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for contingently issuable shares and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take account of the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

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' and the assumptions used in the accounting for defined benefit pension schemes under IAS 19, 'Employee benefits'.

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 when the related compensation events, variations and claims are agreed with the customer (or are otherwise legally enforceable), and only to the extent that the resulting forecast consideration is considered highly probable of not resulting in a significant reversal.

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 2025. In relation to these contracts, the Group has included estimated recoveries with a combined value of £13.4m (2024: £8.6m), 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 £15.8m to a downside of £13.4m (2024: a potential upside of £11.2m to a downside of £8.6m).

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 discussions are underway on a potential revised programme with the supply chain, including the Skanska-Costain-Strabag Joint Venture. Our 2025 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.

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.

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.

£2.6m was incurred as a result of the restructuring of some of the central functions within the business in 2025.

£0.7m of residual costs were incurred in respect of our Transformation programme, which completed in 2024.

A £1.0m credit has been recognised to reduce the fire safety provision taken in 2024 as a result of progressing negotiations.

In 2024, adjusting items of £5.4m were incurred on the Group's Transformation programme and £6.7m in relation to the settlement of a fire safety compliance claim on one building and a provision for the sole other identified obligation. A £0.1m credit was also recognised as a result of the sale in 2024 of assets written down during restructuring in 2023.

	Adjusted £m	Adjusting Items £m	Total £m
2025			
Revenue	1,045.7	–	1,045.7
Cost of sales	(931.9)	–	(931.9)
Gross profit	113.8	–	113.8
Administrative expenses before adjusting items	(66.7)	–	(66.7)
Adjusting items:			
Restructuring costs	–	(2.6)	(2.6)
Transformation costs	–	(0.7)	(0.7)
Fire safety provision release	–	1.0	1.0
Administrative expenses	(66.7)	(2.3)	(69.0)
Operating profit	47.1	(2.3)	44.8
Share of results of joint ventures and associates	(0.4)	–	(0.4)
Profit from operations	46.7	(2.3)	44.4
Net finance income	3.8	–	3.8
Profit before tax	50.5	(2.3)	48.2
Taxation	(11.5)	0.6	(10.9)
Profit for the year attributable to equity holders of the parent	39.0	(1.7)	37.3
Basic earnings per share	14.5p		13.9p

Notes to the Financial Statements continued

3 Reconciliation of reported operating profit to adjusted operating profit continued

2024	Adjusted £m	Adjusting 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 costs	–	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	43.1	(12.0)	31.1
Net finance income	5.4	–	5.4
Profit before tax	48.5	(12.0)	36.5
Taxation	(8.9)	3.0	(5.9)
Profit for the year attributable to equity holders of the parent	39.6	(9.0)	30.6
Basic earnings per share	14.6p		11.3p

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 taxation 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.

2025	Natural Resources £m	Transportation £m	Central costs £m	Total £m
Segment revenue				
Revenue	440.4	605.3	–	1,045.7
Segment profit/(loss)				
Operating profit/(loss) before other items	35.0	24.9	(12.8)	47.1
Share of results of joint ventures and associates	(0.4)	–	–	(0.4)
Operating profit/(loss) before adjusting items	34.6	24.9	(12.8)	46.7
Adjusting items:				
Restructuring costs	–	–	(2.6)	(2.6)
Transformation costs	–	–	(0.7)	(0.7)
Fire safety provision release	–	–	1.0	1.0
Profit/(loss) from operations	34.6	24.9	(15.1)	44.4
Net finance income				3.8
Profit before tax				48.2
Segment profit/(loss) is stated after charging the following:				
Depreciation	5.7	6.1	–	11.8
Amortisation	0.6	0.5	–	1.1
Segment assets				
Reportable segment assets	174.4	134.3	1.0	309.7
Unallocated assets:				
Retirement benefit asset				60.0
Deferred tax				2.9
Cash and cash equivalents				189.3
Total assets				561.9
Additions to non-current assets				
Property, plant and equipment	7.6	5.0	–	12.6
Intangible assets	0.5	0.5	–	1.0
Segment liabilities				
Reportable segment liabilities	159.1	132.2	12.1	303.4
Income tax				0.3
Total liabilities				303.7

Recorded within ‘Reportable segment assets’ is ‘cash and cash equivalents – with restrictions’ totalling £26.0m, which represent amounts held in trust bank accounts on behalf of certain customers and designated for future payment to suppliers.

Notes to the Financial Statements continued

4 Operating segments continued

2024	Natural Resources £m	Transportation £m	Central costs £m	Total £m
Segment revenue				
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’ totalling £38.4m, 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 (2024: all) and all non-current assets are located in the UK (2024: all).

Customers accounting for more than 10% of revenue

Two customers (2024: two) in the Transportation sector accounted for revenue of £451.0m (2024: £751.2m).

5 Other operating expenses and income

	2025 £m	2024 £m
Profit before tax is stated after charging:		
Amortisation and impairment of intangible assets (note 12)	1.1	0.3
Depreciation of property, plant and equipment (note 13)	11.8	11.9
Restructuring costs (note 3)	2.6	–
Transformation costs (note 3)	0.7	5.4
Fire safety claims (note 3)	–	6.7
Expenses relating to short-term leases and leases of low-value assets	24.9	42.6
and after crediting:		
Fire safety provision release (note 3)	1.0	–
Restructuring credit (note 3)	–	0.1
Reclassification from Translation Reserve	1.0	–
RDEC grant income	4.6	6.3

£1.0m of cumulative exchange differences, recognised historically in other comprehensive income and carried forward in the translation reserve, and has been reclassified to the consolidated income statement in the year as a result of Costain no longer controlling a foreign entity previously treated as a subsidiary undertaking.

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.

Auditor’s remuneration

	2025 £m	2024 £m
Fees payable to the Group’s auditors for the audit of the annual financial statements	0.2	0.2
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	1.2

An amount of £0.2m (2024: £0.2m) was paid to the Group’s auditors in 2025 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.

Notes to the Financial Statements continued

6 Employee benefit expense

	2025 £m	2024 £m
Wages and salaries	235.8	233.3
Social security costs	28.8	25.6
Other pension costs – defined contribution schemes (note 21)	13.8	12.9
Share-based payments expense (note 21)	3.1	2.3
	281.5	274.1
	2025 Number	2024 Number
Monthly average number of persons employed		
Natural Resources	1,676	1,608
Transportation	1,349	1,551
Central	24	23
	3,049	3,182

Of the above employees, there were none (2024: none) 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 2025 and 2024 are detailed below:

	2025 £m	2024 £m
Remuneration	2.0	2.2
Post-employment benefits	–	0.1
	2.0	2.3

8 Finance income/(expense)

	2025 £m	2024 £m
Interest income from bank deposits	5.0	6.7
Interest income on the net assets of the defined benefit pension scheme (note 21)	3.0	2.6
Finance income	8.0	9.3
Interest payable on interest bearing bank loans, borrowings and other similar charges	(1.8)	(1.4)
Interest expense on lease liabilities	(2.4)	(2.5)
Finance expense	(4.2)	(3.9)
Net finance income	3.8	5.4

Other similar charges includes arrangement and commitment fees payable.

9 Taxation

	2025 £m	2024 £m
On profit for the year		
UK corporation tax at statutory rate of 25.0% (2024: 25.0%)	(5.1)	(4.1)
Adjustment in respect of prior years	0.2	1.0
Current tax charge for the year	(4.9)	(3.1)
Deferred tax charge for the current year	(5.3)	(4.0)
Adjustment in respect of prior years	(0.7)	1.2
Deferred tax charge for the year	(6.0)	(2.8)
Tax charge in the consolidated income statement	(10.9)	(5.9)

	2025 £m	2024 £m
Tax reconciliation		
Profit before tax	48.2	36.5
Taxation at 25.0% (2024: 25.0%)	(12.0)	(9.1)
Amounts qualifying for tax relief and disallowed expenses	1.6	1.0
Adjustments in respect of prior years	(0.5)	2.2
Tax charge in the consolidated income statement	(10.9)	(5.9)
Effective rate of tax	22.6%	16.2%

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 liability of £0.3m (2024: £1.5m asset) for the Group and asset of £0.2m (2024: liability of £0.2m) 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.

	2025 £m	2024 £m
Tax in other comprehensive income		
Current tax – Retirement benefit assets	–	1.2
Deferred tax – Retirement benefit obligations/assets and short-term temporary timing differences	0.3	(0.4)
Tax credit in other comprehensive income	0.3	0.8

	2025 £m	2024 £m
Deferred tax asset recognised		
Accelerated capital allowances	(0.4)	1.0
Short-term temporary differences	6.8	3.6
Retirement benefit assets	(15.0)	(13.7)
Tax losses	11.5	17.7
Deferred tax asset	2.9	8.6

Deferred tax assets have been calculated at the rate of 25.0% (2024: 25.0%).

Deferred tax assets have been recognised in respect of accumulated tax losses in the UK of £46.1m (2024: £70.8m). The deferred tax assets include an amount of £11.5m (2024: £17.7m), which relates to these carried forward tax losses. These have been recognised to the extent it is expected that they will be recoverable within two years (2024: three 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.

Notes to the Financial Statements continued

9 Taxation continued

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 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 exception to 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 (2024: no) relating to short-term temporary differences.

	2025 £m	2024 £m
Analysis of deferred tax movements		
At 1 January	8.6	11.8
Deferred tax in consolidated income statement		
Accelerated capital allowances	(1.4)	(1.2)
Short-term temporary differences	2.4	2.0
Retirement benefit assets/obligations	(0.8)	–
Tax losses	(6.2)	(3.6)
	(6.0)	(2.8)
Deferred tax in other comprehensive income		
Retirement benefit assets	(0.5)	(0.4)
Short-term temporary differences	0.8	–
At 31 December	2.9	8.6

Factors that may affect future tax charges

The corporation tax rate since 1 April 2024 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	
	2025 £m	2024 £m	2025 £m	2024 £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 (2024: £nil) as shown in the tax reconciliation above.

There are no expiry dates associated with the deferred tax assets not recognised.

10 Earnings per share

The calculation of earnings per share is based on profit of £37.3m (2024: £30.6m) and the number of shares set out below.

	2025 Number (millions)	2024 Number (millions)
Weighted average number of ordinary shares in issue for basic earnings per share calculation	268.5	271.3
Dilutive potential ordinary shares arising from employee share schemes	4.2	3.3
Weighted average number of ordinary shares in issue for diluted earnings per share calculation	272.7	274.6

At 31 December 2025, 0.7m options were excluded from the weighted average number of ordinary shares calculation because they were anti-dilutive (2024: nil options were excluded).

11 Dividends

	Dividend per share pence	2025 £m	2024 £m
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
Final dividend for the year ended 31 December 2024	2.0	5.3	–
Interim dividend for the year ended 31 December 2025	1.0	2.6	–
Amount recognised as distributions to equity holders in the year		7.9	3.3
Dividends settled in shares		(0.6)	(0.1)
Dividends settled in cash		7.3	3.2

An interim dividend of 1.0 pence per share was paid for the six months ended 30 June 2025. The Board is proposing a final dividend of 3.2 pence per share. The Board’s current policy for dividends is described in note 18 a) Capital management.

Notes to the Financial Statements continued

12 Intangible assets

Group	Goodwill £m	Customer relationships £m	Other acquired intangibles £m	Other intangibles £m	Total £m
Cost					
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
At 1 January 2025	54.1	15.4	9.7	14.4	93.6
Additions	–	–	–	1.0	1.0
At 31 December 2025	54.1	15.4	9.7	15.4	94.6
Accumulated amortisation and impairment					
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
At 1 January 2025	9.0	15.4	9.7	8.3	42.4
Charge in year	–	–	–	1.1	1.1
At 31 December 2025	9.0	15.4	9.7	9.4	43.5
Net book value					
At 31 December 2025	45.1	–	–	6.0	51.1
At 31 December 2024	45.1	–	–	6.1	51.2
At 1 January 2024	45.1	–	–	0.6	45.7

Additions to Other intangibles in the prior year relate to the investment in a new HR system.

Goodwill has been allocated to the applicable cash-generating units of the Transportation segment (£15.5m (2024: £15.5m)) and the Natural Resources segment (£29.6m (2024: £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 rates used to discount the forecast cash flows for the Transportation and Natural Resources CGUs were 13.5% and 13.8% respectively. In 2024, the rates used to discount the forecast cash flows for both the Transportation and Natural Resources CGUs was 15.9%.

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 (2024: 2.0% for both Transportation and Natural Resources).

At 31 December 2025, 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.

13 Property, plant and equipment

Group	Leasehold improvements £m	Plant and equipment £m	Right-of-use assets			Total £m
			Vehicles £m	Land and buildings £m	Plant and equipment £m	
Cost						
At 1 January 2024	–	15.0	19.6	19.5	13.1	67.2
Additions	8.2	0.1	8.9	7.3	2.3	26.8
Disposals	–	(7.1)	(5.7)	(10.9)	(9.8)	(33.5)
At 31 December 2024	8.2	8.0	22.8	15.9	5.6	60.5
At 1 January 2025	8.2	8.0	22.8	15.9	5.6	60.5
Additions	0.3	1.1	6.6	0.1	4.5	12.6
Disposals	–	(0.1)	(4.0)	(2.1)	(4.9)	(11.1)
At 31 December 2025	8.5	9.0	25.4	13.9	5.2	62.0
Accumulated depreciation and impairment						
At 1 January 2024	–	14.6	9.0	9.8	7.0	40.4
Charge in year	0.2	0.2	6.1	2.8	2.6	11.9
Disposals	–	(7.1)	(5.6)	(8.3)	(6.1)	(27.1)
At 31 December 2024	0.2	7.7	9.5	4.3	3.5	25.2
At 1 January 2025	0.2	7.7	9.5	4.3	3.5	25.2
Charge in year	1.1	0.1	6.9	1.8	1.9	11.8
Disposals	–	(0.1)	(4.0)	(1.8)	(3.6)	(9.5)
At 31 December 2025	1.3	7.7	12.4	4.3	1.8	27.5
Net book value						
At 31 December 2025	7.2	1.3	13.0	9.6	3.4	34.5
At 31 December 2024	8.0	0.3	13.3	11.6	2.1	35.3
At 1 January 2024	–	0.4	10.6	9.7	6.1	26.8

Additions to Leasehold improvements in the prior 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:

	2025 £m	2024 £m
Interest expense (included in finance expense)	2.4	2.5
Expense relating to short-term leases (included in cost of sales and administrative expenses)	24.9	42.6

The lease liabilities relating to these right-of-use assets are as follows:

	2025 £m	2024 £m
Current	8.5	13.0
Non-current	16.5	12.8
	25.0	25.8

Notes to the Financial Statements continued

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 2025. 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 2024	20.9
At 31 December 2024	20.9
At 1 January 2025	20.9
At 31 December 2025	20.9
Share of post-acquisition reserves	
At 1 January 2024	(14.0)
At 31 December 2024	(14.0)
At 1 January 2025	(14.0)
Loss for the year	(0.4)
At 31 December 2025	(14.4)
Accumulated impairment	
At 1 January 2024	(6.5)
At 31 December 2024	(6.5)
At 1 January 2025	(6.5)
At 31 December 2025	(6.5)
Net book value	
At 31 December 2025	–
At 31 December 2024	0.4
At 1 January 2024	0.4

Analysis of Group share of revenue, income and assets and liabilities of joint ventures

	2025 Joint ventures £m	2024 Joint ventures £m
Revenue	–	0.1
Loss before tax	(0.4)	–
Taxation	–	–
Loss for the year	(0.4)	–
Non-current assets	–	–
Trade and other receivables	–	0.7
Cash and cash equivalents	0.2	0.1
Trade and other payables – current	(0.2)	(0.4)
Non-current liabilities	–	–
Investments in joint ventures and associates	–	0.4
Dividends received by Group	–	–

Net interest payable by joint ventures in 2025 was £nil (2024: £nil). There was no (2024: 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 (2024: none).

Analysis of the total revenue, income, assets and liabilities of joint ventures

	2025 Joint ventures £m	2024 Joint ventures £m
Revenue	–	0.2
Loss before tax	(1.0)	–
Taxation	–	–
Loss for the year	(1.0)	–
Non-current assets	–	–
Trade and other receivables	–	1.5
Cash and cash equivalents	0.4	0.2
Trade and other payables – current	(0.4)	(0.7)
Non-current liabilities	–	–
Equity	–	1.0

There is no other comprehensive income/(expense) in respect of joint ventures or associates.

Notes to the Financial Statements continued

14 Investments in subsidiaries, equity accounted joint ventures and associates continued

Company

Investments in subsidiaries	£m
Cost	
At 1 January 2024	429.3
Additions	2.3
At 31 December 2024	431.6
At 1 January 2025	431.6
Additions	3.1
At 31 December 2025	434.7
Amounts written off	
At 1 January 2024	(273.7)
At 31 December 2024	(273.7)
At 1 January 2025	(273.7)
At 31 December 2025	(273.7)
Net book value	
At 31 December 2025	161.0
At 31 December 2024	157.9
At 1 January 2024	155.6

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 (£3.1m (2024: £2.3m)).

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:

	2025 £m	2024 £m
Contract assets	90.0	84.0
Contract liabilities	(23.5)	(56.2)

Contract assets is made up of a portfolio of contracts and represents amounts 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 increase 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. In the case where a contract liability exceeds the remaining revenue to be earned on a contract, the excess is disclosed as an other payable. In 2025, the decrease in contract liabilities is predominantly related to a reclassification to other payables (see note 19). There are no other significant one-off factors outside of normal trading contributing to the decrease in contract liabilities.

Revenue recognised in 2025 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 £5,346.4m (2024: £4,814.0m). Progress billings and advances received from customers under open construction contracts amounted to £5,279.9m (2024: £4,788.1m). Advances for which work has not started, and billings in excess of costs incurred and recognised profits are included in contract liabilities.

Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from long-term contracts:

	2025 £m	2024 £m
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at 31 December	4,096.0	2,099.7

Management expects that approximately 20% of the transaction price allocated to the unsatisfied contracts as of 31 December 2025 will be recognised as revenue during the next reporting period (£837.3m). Of the remaining 80%, 39% will be recognised during 2027 to 2029.

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	
	2025 £m	2024 £m	2025 £m	2024 £m
Amounts included in current assets				
Trade receivables	54.1	54.6	–	–
Other receivables	28.4	20.6	0.2	–
Contract assets	90.0	84.0	–	–
Prepayments	19.0	26.1	1.0	0.6
	191.5	185.3	1.2	0.6
Amounts included in non-current assets				
Trade receivables	2.3	4.3	–	–

At 31 December 2025, trade receivables falling due within one year include retentions of £4.3m (2024: £4.4m) relating to long-term contracts in progress. Trade receivables falling due after more than one year include retentions of £2.3m (2024: £4.3m) 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 34 days (2024: 35 days). An analysis of trade receivables ageing is shown in note 18.

Other receivables primarily relate to amounts due from joint operations and RDEC income receivable.

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 £67.7m (2024: £62.7m).

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Cash and cash equivalents	189.3	158.5	108.1	77.5
Cash and cash equivalents in the cash flow statement	189.3	158.5	108.1	77.5

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 under contracts where Costain is acting as a principal.

	Group		Company	
	2025 £m	2024 £m	2025 £m	2024 £m
Cash and cash equivalents – with restrictions	26.0	38.4	–	–
Cash and cash equivalents – with restrictions in the cash flow statement	26.0	38.4	–	–

Notes to the Financial Statements continued

17 Cash and cash equivalents, loans and borrowings continued

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	
	2025 £m	2024 £m	2025 £m	2024 £m
Cash and cash equivalents (including cash with restrictions)	215.3	196.9	108.1	77.5
Less cash and cash equivalents – with restrictions	(26.0)	(38.4)	–	–
Net cash before lease liabilities	189.3	158.5	108.1	77.5
Lease liabilities (note 13)	(25.0)	(25.8)	–	–
Net cash	164.3	132.7	108.1	77.5

Group	Cash and cash equivalents (including cash with restrictions) £m	Less cash and cash equivalents – with restrictions £m	Lease liabilities £m	Total £m
	£m	£m	£m	£m
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
Net cash/(debt) at 1 January 2025	196.9	(38.4)	(25.8)	132.7
Cash flows	18.4	12.4	10.8	41.6
New leases	–	–	(11.2)	(11.2)
Disposal of leases	–	–	1.2	1.2
Interest expense	–	–	(2.4)	(2.4)
Interest payments (presented as operating cash flows)	–	–	2.4	2.4
Net cash/(debt) at 31 December 2025	215.3	(26.0)	(25.0)	164.3

Company	Cash and cash equivalents £m
Net cash at 1 January 2024	81.8
Cash flows	(4.3)
Net cash at 31 December 2024	77.5
Net cash at 1 January 2025	77.5
Cash flows	30.6
Net cash at 31 December 2025	108.1

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.

An interim dividend of 1.0 pence per share was paid for the six months ended 30 June 2025. The Board is proposing a final dividend of 3.2 pence 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 £152.6m (2024: £169.4m) and the average week-end net cash balance on cash and cash equivalents during the year was £149.2m (2024: £164.3m).

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 2025, the Group had banking and bonding facilities, including a £100.0m RCF, extending to 30 September 2029 (2024: £85.0m RCF, 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 2025. The unsecured bonding facilities are set out below:

	Group and Company	
	2025 £m	2024 £m
Expiring between one and five years	295.0	270.0
Element of above facilities available for borrowings	–	–

At 31 December 2025, the utilisation of these bonding facilities amounted to £72.4m (2024: £65.3m).

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 £1,037.0m (2024: £1,243.3m) was attributable to Group 1 customers and £8.7m (2024: £7.8m) 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.

Notes to the Financial Statements continued

18 Financial instruments – Fair values and risk management continued

Risk management continued

c) Credit risk continued

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 2025 and 31 December 2024 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 2025					
Group 1					
Expected loss rate	0.00%	0.10%	0.25%	0.50%	
	£m	£m	£m	£m	£m
Trade receivables	34.3	11.7	2.8	4.8	53.6
Contract assets	70.0	12.7	1.1	6.2	90.0
Loss allowance	–	–	–	–	–
Group 2					
Expected loss rate	1.0%	2.0%	15.0%	30.0%	
	£m	£m	£m	£m	£m
Trade receivables	0.2	0.2	0.1	–	0.5
Contract assets	–	–	–	–	–
Loss allowance	–	–	–	–	–
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	–	–	–	–	–

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 (2024: £0.1m). 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.

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 2025 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

	2025				2024			
	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	189.2	189.2	–	–	158.2	158.2	–	–
Other	0.1	0.1	–	–	0.3	0.3	–	–
	189.3	189.3	–	–	158.5	158.5	–	–
Cash and cash equivalents – with restrictions:								
Pounds sterling	26.0	26.0	–	–	38.4	38.4	–	–
	26.0	26.0	–	–	38.4	38.4	–	–
Trade and other receivables:								
Pounds sterling	84.8	82.5	2.3	–	79.5	75.2	4.3	–
Insurance recovery asset:								
Pounds sterling	4.3	4.3	–	–	8.8	8.8	–	–
	89.1	86.8	2.3	–	88.3	84.0	4.3	–
Total financial assets not measured at fair value	304.4	302.1	2.3	–	285.2	280.9	4.3	–

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.

Notes to the Financial Statements continued

18 Financial instruments – Fair values and risk management continued

Financial assets and liabilities continued

b) Currency and maturity of financial liabilities

Financial liabilities not measured at fair value

	2025			2024		
	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	25.0	8.5	16.5	25.8	13.0	12.8
Trade payables and amounts owed to joint ventures and associates – pounds sterling	47.7	46.6	1.1	47.3	45.5	1.8
Total financial liabilities not measured at fair value	72.7	55.1	17.6	73.1	58.5	14.6

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 £10.4m (2024: £12.1m), two to five years £16.2m (2024: £19.3m) and over five years £3.7m (2024: £7.2m).

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

	2025		2024	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade and other receivables (as above)	86.8	2.3	84.0	4.3
Contract assets	90.0	–	84.0	–
Prepayments	19.0	–	26.1	–
	195.8	2.3	194.1	4.3

	2025		2024	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade and other payables (as above)	46.6	1.1	45.5	1.8
Social security	8.9	–	8.8	–
Other payables	47.8	–	21.0	–
Contract liabilities	23.5	–	56.2	–
Accruals and deferred income	140.6	–	139.5	–
	267.4	1.1	271.0	1.8

d) Effective interest rates of financial assets and liabilities

Financial assets

	2025	2024
Cash and cash equivalents	0.00% to 4.72%	0.00% to 5.05%

Financial liabilities

The Group has a £100.0m (2024: £85.0m) RCF of which £nil (2024: £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	
	2025 £m	2024 £m	2025 £m	2024 £m
Current liabilities				
Trade payables	46.6	45.3	–	–
Other payables	47.8	21.0	0.1	0.1
Social security	8.9	8.8	–	–
Contract liabilities	23.5	56.2	–	–
Accruals and deferred income	140.6	139.5	0.4	0.5
Amounts owed to joint ventures and associates	–	0.2	–	–
Amounts owed to subsidiary undertakings	–	–	60.4	46.0
	267.4	271.0	60.9	46.6
Non-current liabilities				
Trade payables	1.1	1.8	–	–
	1.1	1.8	–	–

Accruals and deferred income include subcontract liabilities (not yet payable), subcontract retentions and other accruals and deferred income.

£19.2m (2024: £17.5m) of the amounts included in contract liabilities and deferred income at 31 December 2024 has been recognised in the income statement in the year.

Other payables primarily includes the VAT liability and amounts due to a customer to final settle an account which were previously presented as contract liabilities due to stage of completion of the project.

Amounts owed to subsidiary undertakings, excluding current accounts, are unsecured, repayable on demand and accrue interest at the Bank of England base rate plus 2.60% (2024: Bank of England base rate plus 2.74%).

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.

Notes to the Financial Statements continued

20 Provisions for other liabilities and charges

Group	Rectification provision £m	Other £m	Total £m
Current			
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
At 1 January 2025	5.8	7.1	12.9
Provided	5.4	0.7	6.1
Utilised	(7.7)	(0.4)	(8.1)
Released	–	(1.0)	(1.0)
At 31 December 2025	3.5	6.4	9.9

	Funding obligations £m
Company	
Current	
At 1 January 2024	0.1
Reclassified from non-current	0.1
Utilised	(0.1)
At 31 December 2024	0.1
At 1 January 2025	0.1
At 31 December 2025	0.1
Non-current	
At 1 January 2024	0.6
Reclassified to current	(0.1)
At 31 December 2024	0.5
At 1 January 2025	0.5
At 31 December 2025	0.5

Group

Rectification provision: Contract in the water sector

Costain first recognised a provision in 2021 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.

Costain engaged with its insurers and received confirmation in 2022 that insurance cover is available and that all reasonable costs of rectification work that are validly incurred will be met by insurers. Insurers continued to make interim payments on account during 2025 and the insurance receivable recognised in the statement of financial position as at 31 December 2025 is £4.3m.

Work is scheduled to complete in 2026.

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, 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, if due, 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 £13.1m, comprising £16.1m included in operating costs less £3.0m interest income included in net finance income (2024: £12.2m, comprising £14.8m included in operating costs less £2.6m 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 2025 and this was updated to 31 December 2025 by a qualified independent actuary. At 31 December 2025, there were 2,875 retirees and 2,296 deferred members (2024: 2,886 retirees and 2,601 deferred members).

The weighted average duration of the obligations is 12.0 years (2024: 11.0 years).

	2025 £m	2024 £m	2023 £m
Present value of defined benefit obligations	(491.0)	(497.5)	(542.6)
Fair value of scheme assets	551.0	552.4	596.1
Recognised asset for defined benefit obligations	60.0	54.9	53.5

Notes to the Financial Statements continued

21 Employee benefits continued

Pensions continued

Defined benefit scheme continued

	2025 £m	2024 £m
Movements in present value of defined benefit obligations		
At 1 January	497.5	542.6
Interest cost	26.4	25.0
Remeasurements – demographic assumptions	(14.0)	0.5
Remeasurements – financial assumptions	(6.0)	(41.0)
Remeasurements – experience adjustments	20.3	3.7
Benefits paid	(33.2)	(33.3)
At 31 December	491.0	497.5

	2025 £m	2024 £m
Movements in fair value of scheme assets		
At 1 January	552.4	596.1
Interest income	29.4	27.6
Remeasurements – return on assets	2.4	(39.9)
Contributions by employer	–	2.0
Administrative expenses	–	(0.1)
Benefits paid	(33.2)	(33.3)
At 31 December	551.0	552.4

	2025 £m	2024 £m
Expense recognised in the income statement		
Administrative expenses paid by the pension scheme	–	(0.1)
Administrative expenses paid directly by the Group	(2.3)	(1.8)
Interest income on the net assets of the defined benefit pension scheme	3.0	2.6
	0.7	0.7

	2025 £m	2024 £m
Fair value of scheme assets		
Global equities	90.8	90.0
Multi-asset growth funds	22.6	20.7
Multi-credit fund	80.6	83.8
LDI plus collateral	345.1	339.7
Cash	11.9	18.2
	551.0	552.4

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.

	2025 %	2024 %	2023 %
Principal actuarial assumptions (expressed as weighted averages)			
Discount rate	5.45	5.50	4.75
Future pension increases	2.75	2.95	2.90
Inflation assumption	2.85	3.10	3.05

Weighted average life expectancies from age 65, as per mortality tables, used to determine benefits at 31 December 2025 and 31 December 2024 are:

	2025		2024	
	Male (years)	Female (years)	Male (years)	Female (years)
Currently aged 65	21.3	23.3	21.9	23.8
Non-retirees currently aged 45	22.1	24.1	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	11.9	0.6
Decreasing inflation by 0.25% (which reduces pension increases), decreases pension liability and increases pension income/reduces pension cost by	8.7	0.5
Increasing life expectancy by one year, increases pension liability and reduces pension income/increases pension cost by	19.5	1.1

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 2025. In January 2026, the funding valuation and ongoing Scheme contributions were agreed with the Scheme Trustee. Following this, the dividend parity arrangement that previously existed has been removed, there is no requirement going forward for an annual assessment of the Scheme funding position and there will be no further cash contributions made by the Company into the Scheme under the new schedule of contributions which is in place until January 2031.

The next triennial actuarial review will be carried out as at 31 March 2028.

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.

The DWP has, through the Pension Schemes Bill, introduced a mechanism to allow trustees to address any issues arising from the Virgin Media and the NTL Pension Trustee judgement. This legislation will allow trustees of affected schemes to retrospectively obtain written actuarial confirmation that any historic benefits changes that may have been made meet the necessary standards. The Trustee of the Costain Pension Scheme will review if any action needs to be taken.

Defined contribution schemes

Two defined contribution pensions schemes are operated. The total expense relating to these plans was £13.8m (2024: £12.9m).

Notes to the Financial Statements continued

21 Employee benefits continued

Share-based payments

The Company operates a number of share-based payment plans, described as follows.

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 Share Deferral Plan (SDP)). 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 £3.1m (2024: £2.3m); the entire charge relates to subsidiaries.

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	Weighted average exercise price (p)
	Number (m)	Number (m)	Number (m)	
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
Outstanding at 1 January 2025	14.5	2.9	8.5	64.8
Forfeited during the year	(1.9)	(0.3)	(0.4)	62.2
Exercised during the year	(2.2)	(1.2)	–	–
Granted during the year	2.5	1.3	3.1	102.0
Outstanding at 31 December 2025	12.9	2.7	11.2	75.1
Exercisable at the end of the period	3.5	0.3	–	–

Share options outstanding at the end of the year had a weighted average remaining contractual life of 5.8 years (2024: 5.8 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 £4.4m (2024: £4.9m). The assumptions used in valuing the grants were:

	2025	2024
Expected volatility	39.2%	43.9%
Expected life (years)	3.5	3.5
Risk-free interest rate	3.9%	3.9%
Expected dividend yield	2.1%	1.2%

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.

Notes to the Financial Statements continued

22 Share capital

	2025		2024	
	Number (millions)	Nominal value £m	Number (millions)	Nominal value £m
Issued share capital				
Shares in issue at beginning of year – ordinary shares of one pence each, fully paid (2024: 50 pence each)	268.8	2.7	276.7	138.3
Issued in year (see below)	4.3	–	1.8	0.9
Nominal value reduction	–	–	–	(136.4)
Share buyback	(6.4)	–	(9.7)	(0.1)
Shares in issue at end of year – ordinary shares of one pence each, fully paid	266.7	2.7	268.8	2.7

The Company’s issued share capital comprised 266,714,895 ordinary shares of one pence each as at 31 December 2025 (2024: 268,766,087 ordinary shares). All shares rank pari passu regarding entitlement to capital and dividends.

The 2022 LTIP vested in the year and 3,800,000 shares were issued in April 2025 to satisfy this vesting.

A total of 543,908 shares were issued under the Scrip Dividend Scheme during 2025.

In June 2025, Costain announced an on-market share buyback programme. This programme was completed in August 2025 and resulted in the purchase of 6,395,100 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.

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.

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 2025, the asset was £60.0m (2024: £54.9m) 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
<i>Principal subsidiary undertakings</i>			
Costain Limited	Engineering, Construction and Maintenance	100	(1)
Costain Engineering & Construction Limited	Holding and Service Company	100	(1)
Costain Engineering Limited	Engineering	100	(1)
Costain Oil, Gas & Process Limited	Process Engineering	100	(1)
Richard Costain Limited	Service Company	100	(1)

The equity capital of the above are held by subsidiary undertakings with the exception of Richard Costain Limited and Costain Engineering & Construction Limited.

Costain Engineering Limited was incorporated on 7 February 2025.

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 and there have been no changes to the equity percentages held in 2025.

	Activity	Percentage interest	Country of business
<i>Major joint operations</i>			
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-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 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

Notes to the Financial Statements continued

24 Subsidiary undertakings, joint ventures, associates and joint operations continued

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 ¹	Trading	100	(1)
Renown Investments (Holdings) Limited ¹	Trading	100	(1)
Lysander Services Limited ¹	Trading	100	(1)
Other subsidiaries owned indirectly by Costain Group PLC			
Brunswick Infrastructure Services Limited	Dissolved August 2025	100	(1)
Calvert & Russell Limited ¹	Dormant	100	(1)
CLM Engineering (Overseas) Limited	Dissolved August 2025	100	(1)
COGAP (Middle East) Limited ¹	Holding Company	100	(1)
Construction Study Centre Limited ¹	Dormant	100	(1)
Costain Alcaidesa Limited	Dissolved August 2025	100	(1)
Costain America Inc.	Holding Company	100	(5)
Costain Building & Civil Engineering Limited ¹	Holding Company	100	(1)
Costain Construction Limited	Dissolved December 2025	100	(1)
Costain de Venezuela CA	Dormant	100	(13)
Costain Energy Solutions Limited ¹	Dormant	100	(1)
Costain Engineering & Construction (Overseas) Limited ¹	Holding Company	100	(1)
Costain Engineering Services Inc.	Dormant	100	(5)
Costain Integrated Services Limited ¹	Trading	100	(1)
Costain Integrated Technology Solutions Limited ¹	Trading	100	(1)
Costain International Limited	Dissolved August 2025	100	(1)
Costain Management Design Limited	Dissolved August 2025	100	(1)
Costain Minerals Inc.	Dormant	100	(5)
Costain Mining Services Inc.	Dormant	100	(5)
Costain Oil, Gas & Process (Nigeria) Limited	Dormant	95	(14)
Costain Oil, Gas & Process (Overseas) Limited ¹	Dormant	100	(1)
Costain Process Construction Limited	Dissolved August 2025	100	(1)
Costain Upstream Limited ¹	Trading	100	(2)
Promanex (Civils & Industrial Services) Limited	Dissolved August 2025	100	(1)
Promanex (Construction & Maintenance Services) Limited	Dissolved August 2025	100	(1)
Promanex (Total FM & Environmental Services) Limited	Dissolved August 2025	100	(1)
Sunland Mining Corporation (II)	Dormant	100	(5)
Westminster Plant Co. Limited	Dissolved August 2025	100	(1)

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 2025.

	Status	Percentage of equity held	Registered office/principal place of business
Other joint ventures or associates owned indirectly by Costain Group PLC			
4Delivery Limited	Trading	40	(3)
ABC Electrification Ltd	In strike off	33.3	(6)
ACM Health Solutions Limited	Dormant	33.3	(4)
Brighton & Hove 4Delivery Limited	Trading	49	(3)
Budimex & Costain SP ZO.O	Dormant	50	(12)
Costain Abu Dhabi Co WLL	Dormant	49	(8)
China Harbour-Costain Mexico S de RL de CV	Dormant	50	(11)
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
A-one+ Joint Venture - ASC area 12 - Highways England	Engineering and Maintenance	33.3	UK
A-one+ Integrated Highway Services – MAC 7	Engineering and Maintenance	33.3	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-Galliford Try Joint Venture - M1 smart motorways	Civil Engineering	50	UK
Costain-Hochtief Joint Venture – Reading station	Civil Engineering	50	UK
Costain-Laing O'Rourke Joint Venture – Bond Street station	Civil Engineering	50	UK
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 C412 Joint Venture – Bond Street – Crossrail	Civil Engineering	50	UK
Costain-Skanska – HS2 Enabling works	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 – NGT Tunnels, London	Civil Engineering	52.6	UK
Costain-Skanska Joint Venture – Paddington Station Bakerloo Line Link Project	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

Notes to the Financial Statements continued

24 Subsidiary undertakings, joint ventures, associates and joint operations continued

	Activity	Percentage interest	Country of business
<i>Other joint operations, including completed continued</i>			
Educo UK Joint Venture – Bradford Schools	Building	50	UK
Lagan-Ferrovial-Costain – A8	Civil Engineering	45	UK
Siemens Mobility-Costain – SMC JV – HS2 Rail Systems High Voltage Power	Rail Engineering	50	UK
Skanska-Costain-Strabag S1 Joint Venture – HS2 Main Works	Rail Engineering	34	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)	Calle Delfines No. 268 – 2, Frac. Playa Ensenada, Ensenada, B.C., CP. 22880, Mexico
(12)	Marszałkowska 82, Warsaw, Mazowieckie, 00–517, Poland
(13)	Dormant company – Venezuela, no record of address
(14)	Dormant company – Nigeria, no record of address

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

	2025			2024		
	Joint ventures and associates £m	Joint operations £m	Total £m	Joint ventures and associates £m	Joint operations £m	Total £m
Joint operations revenue	–	423.3	423.3	–	545.2	545.2
Services of Group employees	–	86.8	86.8	–	86.7	86.7
Construction services and materials	–	18.4	18.4	–	18.4	18.4
	–	528.5	528.5	–	650.3	650.3

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 9 March 2026, the date of signing this report, the Directors of the Company and their immediate relatives control 990,877 ordinary shares in Costain Group PLC, which expressed as a percentage of the issued share capital is 0.37% (2024: 0.31%).

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	
	2025 £m	2024 ¹ £m
Directors’ emoluments	2.0	2.2
Executive officers’ emoluments	3.5	2.2
Post-employment benefits	0.2	0.2
Termination benefits	–	–
Share-based payments	2.0	2.0
	7.7	6.6

¹ The 2024 Directors’ emoluments have been restated to include annual incentive payments.

The above amounts are included in employee benefit expense (note 6).

26 Events after the reporting date

There are no events after the reporting date.

Five-Year Financial Summary

	2025 £m	2024 £m	2023 £m	2022 £m	2021 £m
Revenue and profit					
Revenue	1,045.7	1,251.1	1,332.0	1,421.4	1,135.2
Contract adjustments	–	–	–	–	43.4
Adjusted revenue	1,045.7	1,251.1	1,332.0	1,421.4	1,178.6
Adjusted operating profit	47.1	43.1	40.1	36.3	30.1
Adjusting items – contract adjustments	–	–	–	–	(39.2)
Adjusting items – other	(2.3)	(12.0)	(13.3)	(1.4)	(0.4)
Operating profit/(loss)	44.8	31.1	26.8	34.9	(9.5)
Share of results of joint ventures and associates	(0.4)	–	–	–	–
Profit/(loss) from operations	44.4	31.1	26.8	34.9	(9.5)
Finance income	8.0	9.3	8.0	1.8	0.1
Finance expense	(4.2)	(3.9)	(3.9)	(3.9)	(3.9)
Net finance income/(expense)	3.8	5.4	4.1	(2.1)	(3.8)
Profit/(loss) before tax	48.2	36.5	30.9	32.8	(13.3)
Taxation	(10.9)	(5.9)	(8.8)	(6.9)	7.5
Profit/(loss) for the year attributable to equity holders of the Parent	37.3	30.6	22.1	25.9	(5.8)
Earnings/(loss) per share – basic	13.9p	11.3p	8.1p	9.4p	(2.1)p
Earnings/(loss) per share – diluted	13.7p	11.1p	7.8p	9.4p	(2.1)p
Dividends per ordinary share					
Final	3.2p	2.0p	0.8p	–	–
Interim	1.0p	0.4p	0.4p	–	–
Summarised consolidated statement of financial position					
Intangible assets	51.1	51.2	45.7	52.2	52.5
Property, plant and equipment	34.5	35.3	26.8	32.0	32.0
Investments in and loans to equity accounted joint ventures and associates	–	0.4	0.4	0.4	0.4
Retirement benefit asset	60.0	54.9	53.5	60.2	67.1
Other non-current assets	5.2	12.9	17.7	22.0	20.9
Total non-current assets	150.8	154.7	144.1	166.8	172.9
Current assets	411.1	392.5	398.1	320.8	359.5
Total assets	561.9	547.2	542.2	487.6	532.4
Current liabilities	286.1	296.9	306.6	253.1	281.4
Retirement benefit obligations	–	–	–	–	–
Other non-current liabilities	17.6	14.6	16.2	23.3	52.0
Total liabilities	303.7	311.5	322.8	276.4	333.4
Equity attributable to equity holders of the Parent	258.2	235.7	219.4	211.2	199.0

Financial Calendar and Other Shareholder Information

Financial calendar¹

Full-year results 2025	10 March 2026
Annual General Meeting	14 May 2026
Final Dividend payment date ²	26 May 2026
Half-year end 2026	30 June 2026
Half-year results 2026	13 August 2026
Financial year-end 2026	31 December 2026

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 14 May 2026.

Scrip dividend scheme

Subject to shareholder approval of the final dividend and renewal of the scrip dividend scheme at the 2026 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 2268¹ (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 2250¹ (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 5 March 2026

	Total number of holdings	Percentage of holders	Total number of shares	Percentage of issued capital
Shareholdings 100,000 and more	161	2.17	256,996,958	96.35
Shareholdings 50,000–99,999	43	0.58	2,944,674	1.10
Shareholdings 25,000–49,999	44	0.59	1,509,473	0.57
Shareholdings 5,000–24,999	275	3.70	2,845,896	1.07
Shareholdings 1–4,999	6,906	92.96	2,417,894	0.91
Totals	7,429	100	266,714,895	100

Secretary

Nicole Geoghegan

Registered Office

Seventh Floor, 70 St Mary Axe, London EC3A 8BE, England

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 2250¹ (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 2793¹ (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.

¹ Lines are open Monday to Friday 08.30am to 5.30pm, excluding public holidays in England and Wales.

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.



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costain.com/investors