Governance at a glance

Key activities

Appointment of two independent Non-Executive Directors
Pages 117 and 119

Board site visit to Mogden Sewage Treatment Works
Page 100

Board engagement with our people
Page 102

Shareholder consultation on Remuneration Policy
Pages 120–124

External audit tender
Pages 110 and 111

Review the evolved Sustainability strategy
Page 113

Sustainability deep dive
Page 115

Board composition

Tenure of Non-Executive Directors (as at 13 September 2023)

3 0-3 years
2 3-6 years
1 6-9 years

Board independence

2 Non-independent
6 Independent

Board meetings Virtually and in person

1 Virtual
6 In person

Board diversity

3 Female
5 Male

You can find details including relevant skills and experience, principal current external appointments and Board Committee memberships on pages 94 and 95.

The 2018 UK Corporate Governance Code compliance

The Board considers that it has complied with the provisions of the 2018 UK Corporate Governance Code (the 'Code') during the year. Information on how we have applied the Code is provided in this Corporate governance report and the Directors' Remuneration report and a guide is provided in the table below. The Code can be found at www.frc.org.uk.

	Further information
Board leadership and Company purpose	
A: Board's role	Pages 92–103
B: Company's purpose, values, strategy and culture	Pages 1–3, 20–23 and 101
C: resources, prudent and effective controls	Pages 96, 97 and 106
D: shareholder and stakeholder engagement	Pages 70–73
E: workforce policies and practices and workforce concerns	Pages 54, 55, 57, 101 and 102
Division of responsibilities	
F: Chairman's role	Page 97
G: Board balance and division of responsibilities	Page 97
H: Non-Executive Directors' time and role	Page 97
I: information and resources	Pages 96 and 97
Composition, succession and evaluation	
J: Board appointments	Pages 116–119
K: Board and Committee composition, skills and tenure	Pages 94 and 95
L: Board evaluation	Page 99
Audit, risk and internal control	
M: policies and procedures for internal and external audit	Pages 106, 107, 110 and 111
N: fair, balanced and understandable assessment	Page 111
O: risk and internal control framework, risk assessment and management	Pages 74–83 and 106
Remuneration	
P: remuneration policies and practices	Pages 120–153
Q: Director and senior management remuneration	Pages 120–153
R: independent judgement and discretion on remuneration	Pages 120–153

Chairman's introduction to corporate governance

The Board has continued its focus on the delivery of our strategy and medium-term value creation plan ensuring we promote long-term success and generate value for our shareholders and stakeholders. Key activities undertaken during the year are set out in the Corporate governance report which includes our annual Strategy Day, presentations from business divisions, a Board visit to Mogden Sewage Treatment Works, deep dive into our culture programme and on environmental and social sustainability.

Dame Heather Rabbatts decided not to stand for re-election this year and stepped down from the Board in March 2023. I would like to say how much we appreciated all that Heather brought to the Board and her leadership of the Remuneration Committee. As I have set out in my Chairman's statement on page 7, we welcomed Chris Browne and Margaret Hassall as Independent Non-Executive Directors during the year. Our statement to address the diversity targets under the new Listing Rule 9.8.6R (9) (a) requirements is set out in the Nomination Committee report on pages 117 and 118. The Committee is prioritising a search for an additional Non-Executive Director who will be from an ethnic minority background who meets the skills, experience and diversity of thought that contribute to the decision making of the Company.

Our priorities during the year

Engaging with our shareholders

The Executive Directors continued with their regular engagement with shareholders following our results announcement and roadshows. Together with our Corporate Development Director, I met a number of our key shareholders following the half-year results announcement to hear their views on a range of matters such as our progress against our strategy, our performance, ESG matters and executive remuneration. This also builds into the shareholder consultation programme undertaken by the Chair of our Remuneration Committee on the proposed Remuneration Policy.

Executive remuneration

The Board acknowledged the 56% votes received at the 2022 AGM supporting the Directors' Remuneration Report contained in the 2022 Annual Report. This year is also the triennial review of our Directors' Remuneration Policy and the Remuneration Committee, led by Margaret Hassall, has communicated extensively with our key shareholders to understand their views on their votes on the last Directors' Remuneration Report and also to consult on our proposed Directors' Remuneration Policy. More information can be found in the Directors' Remuneration report on pages 120–124.

Employee engagement and culture

During the year, the Non-Executive Directors and myself made 25 site and office visits as part of our Visible Leadership Tours ('VLTs'). This provided an opportunity for us to hear first hand our employees' views and obtain feedback on a range of issues such as culture and its alignment with our values, the impact of our safety and wellbeing programmes, the talent development programmes and the progress of our diversity and inclusion initiatives. It also enabled us to deepen our understanding of the operation of the business. We will continue with our VLTs in the coming year and believe this approach is the best method for us to engage with our workforce. Further information on our VLTs and the outcome of our engagement can be found on page 102.

The Chair of the Remuneration Committee and our Chief People Officer also held an employee forum focusing on rewards and benefits and the details are set out on page 128. The Board also had a deep dive into our culture programme that was launched during the year. A range of measures that supports the Board's assessment of culture is set out on page 101.

ESG

As set out last year, the Board focused on creating a plan, with milestones, to enable the Board to monitor progress in achieving our carbon reduction targets and aligning this with our Remuneration Policy. A milestone plan setting out key activities and timelines to reach our carbon targets was agreed. The ESG Committee also reviewed and approved the evolved Building for a Sustainable World framework. As part of the Remuneration Policy approval, a recommendation to include a carbon reduction metric into the Long-Term Incentive Plan has been proposed. More information on the work of the ESG Committee is set out on pages 112–115.

External audit tender

As indicated last year, the Risk Management and Audit Committee led the process of an external audit tender as under current tenure rules, the last year PwC can audit Kier's financial statements is FY25 without a formal tender. The outcome is that PwC will be re-appointed under the new lead partner Darryl Phillips. Details of the tender process, criteria for appointment and transitioning arrangements are set out in the Risk Management and Audit Committee report on pages 110 and 111.

Our focus for the 2024 financial year

The Board will continue its focus and monitor progress against the delivery of our medium-term value creation plan. We will continue to assess culture as it underpins our performance. As stated earlier, the Board is also prioritising a search for an additional Non-Executive Director who will be from an ethnic minority background who meets the skills, experience and diversity of thought that contribute to the decision making of the Board. The Board, through the ESG Committee, will monitor the progress against the evolved Building for a Sustainable World framework.

Information on our AGM arrangements this year will be provided in the Notice of Annual General Meeting and we are pleased to invite our shareholders to attend this in-person event.

Matthew Lester
Chairman

Board of Directors

MATTHEW LESTER
Chairman

N R

Age: 60
Tenure: 3 years 8 months
Independent: Yes (on appointment)

Relevant skills and experience

- Substantial strategic and financial experience, through senior finance roles at Diageo plc and as Group Finance Director of ICAP plc and Chief Financial Officer of Royal Mail plc
- Significant non-executive director experience at Man Group plc, Barclays PLC and Capita plc
- A chartered accountant, having trained and qualified at Arthur Anderson

Principal current external appointments

- Non-Executive Director of Intermediate Capital Group plc and Chair of the Audit Committee

ANDREW DAVIES
Chief Executive

N

Age: 59
Tenure: 4 years 5 months
Independent: No

Relevant skills and experience

- Strong track record of business leadership across a number of sectors
- Significant experience of mergers and acquisitions and strategy development and implementation
- Significant operational and corporate experience through senior roles and over 28 years with BAE Systems plc
- Formerly Chief Executive Officer of Wates Group Limited

Principal current external appointments

- Non-Executive Director of Chemring Group PLC and Senior Independent Director
- Chairman on the Eiffage, Kier, Ferrovial Construction and BAM Nuttall (EKFB) JV Board

SIMON KESTERTON
Chief Financial Officer

Age: 49
Tenure: 4 years
Independent: No

Relevant skills and experience

- A member of the Chartered Institute of Management Accountants
- Broad range of financial, strategic and IT leadership experience in his former senior roles in the engineering and manufacturing industries
- Formerly Chief Financial Officer, Europe and Chief Strategic Officer at IAC Group and Group Finance Director of RPC Group plc
- Significant experience of the implementation of cost reduction, M&A and profitability improvement programmes

Principal current external appointments

- None

JUSTIN ATKINSON
Senior Independent Director

E N R RA

Age: 62
Tenure: 7 years 11 months
Independent: Yes

Relevant skills and experience

- Formerly Chief Executive of Keller Group plc and previously Keller's Group Finance Director and Chief Operating Officer
- Significant operational, financial and strategic experience
- In-depth knowledge of the construction sector, both in the UK and internationally
- A chartered accountant, having trained and qualified at a predecessor firm of PwC

Principal current external appointments

- Chairman of Forterra plc
- Non-Executive Director of James Fisher and Sons plc and Chairman of the Audit Committee

Board Committees key

E Environmental, Social and Governance
N Nomination
R Remuneration
RA Risk Management and Audit
Chair of the Committee

ALISON ATKINSON FREng, MICE CEng
Non-Executive Director

E N R RA

Age: 53
Tenure: 2 years 9 months
Independent: Yes

Relevant skills and experience
- Significant operational experience in large-scale national infrastructure
- In-depth experience of oversight of civil engineering and contracting through her roles as Projects & Development Director at Anglo American plc, Chief Executive Officer at AWE plc, and at Halcrow
- Significant experience in safety, diversity and inclusion, and sustainability matters
- Fellow of the Royal Academy of Engineering

Principal current external appointments
- From May 2023, member of the Executive Leadership Team at Anglo American plc as Projects & Development Director

CHRIS BROWNE OBE
Non-Executive Director

E N R RA

Age: 63
Tenure: 1 year
Independent: Yes

Relevant skills and experience
- Experience of the construction sector through her role as a Non-Executive Director of Vistry Group plc
- Significant commercial and operational experience through senior leadership positions in the aviation industry
- Chief Operating Officer of easyJet plc until June 2019, where she also served as their Non-Executive Director from January to September 2016, and Non-Executive Director of Norwegian Air Shuttle AS from June 2020 to December 2022
- Doctorate of Science (Honorary) for Leadership in Management from the University of Ulster

Principal current external appointments
- Non-Executive Director of Vistry Group plc
- Non-Executive Director of Constellium SE
- Non-Executive Director of C&C Group plc (with effect from 2 October 2023)

MARGARET HASSALL
Non-Executive Director

E N R RA

Age: 62
Tenure: 5 months
Independent: Yes

Relevant skills and experience
- Significant experience of remuneration matters through her current and former appointments as Chair of Remuneration Committees
- An experienced non-executive director from past appointments at Phoenix Group life companies, Tandem Bank, Nucleus Financial Group plc and One Savings Bank plc
- Broad experience in business operations, technology and large transformational change developed through senior positions across a range of different industry sectors, including some of the world's largest banks, financial services, manufacturing and utilities companies

Principal current external appointments
- Non-Executive Director, Chair of the Remuneration Committee and a member of the Audit and Nomination Committees of AJ Bell plc

CLIVE WATSON
Non-Executive Director

E N R RA

Age: 65
Tenure: 3 years 5 months
Independent: Yes

Relevant skills and experience
- Significant experience in financial matters, through senior finance positions both in the UK and overseas, latterly as the Group Finance Director of Spectris plc
- Experience of the engineering sector through his roles at Borealis AG and as a Non-Executive Director at Spirax-Sarco Engineering plc
- Detailed knowledge of systems of risk management and internal control

Principal current external appointments
- Senior Independent Director and Chair of the Audit and Risk Committee of Breedon Group plc
- Non-Executive Director, Chair of the Audit and Risk Committee of discoverIE Group plc
- Senior Independent Director and Chair of the Audit and Risk Committee of Trifast plc

Corporate governance

The governance framework at Kier

Board

- Accountable to shareholders and responsible for the long-term success of the Group
- Provides leadership of the Group, establishing the purpose, values and strategy
- Monitors the implementation of the strategy, safety, financial, operational, environmental and social performance of the Group
- Ensures that appropriate risk management systems and internal controls are in place
- Sets and monitors the Group's ethics and culture
- Ensures good corporate governance practices are in place

Board Committees

Environmental, Social and Governance Committee

- Reviews the Group's strategy with respect to safety, environment, social and ethical business practice

See page 112

Nomination Committee

- Makes recommendations to the Board regarding the structure, size, composition and succession needs of the Board and its Committees
- Oversees succession planning for Directors and the Executive Committee

See page 116

Remuneration Committee

- Sets the Group's Remuneration Policy for Directors
- Sets and monitors the level and structure of remuneration for the Executive Directors and other senior executives

See page 120

Risk Management and Audit Committee

- Oversees financial reporting procedures, systems of internal controls and risk management, the internal audit function and the effectiveness of the external auditor

See page 104

Executive Committee

- Discusses Group and business divisions' performance
- Reviews and approves material operational matters such as safety, IT, digital, business assurance and compliance, HR, environment, social and wellbeing

See page 10 for further details.

The Executive Committee is also supported by several Operational Committees and steering groups including the Group Risk Committee, the Investment Committee, the Group Tender Risk Committee and Sustainable Leadership Forums.

The Board

The Board is responsible for the effective leadership and promotes the long-term sustainable success of the Group, generating value for shareholders and contributing to the wider society. It is responsible for setting the Group's purpose 'to sustainably deliver infrastructure which is vital to the UK' and the strategy for achieving this. The purpose sets out why Kier exists, the market segments we operate in across the UK and acts as a guide to everything we do. Our strategic actions are set out on page 20. We continue to be guided by our values in what we do and our culture for how we undertake our activities.

The Board has delegated certain of its responsibilities to Board Committees in order to provide focus on those matters and allow the Board sufficient time on its agendas to consider strategic, operational, financial and governance matters. The principal activities of each of these Committees during the year are set out in their respective reports in this Annual Report.

The decisions which can only be made by the Board are clearly defined in the Schedule of Matters Reserved for the Board, which is available on the Company's website. This Schedule was reviewed during the year and changes were mainly around commercial matters such as material contract tenders and investments and some housekeeping matters to bring in line with Code requirements. The matters requiring Board approval include, amongst others:

- the Group's strategy, purpose and values
- mergers, acquisitions and disposals of a material size and nature
- material changes to the Group's structure and capital
- the payment of dividends
- the approval of material Group policies
- material contract tenders and material investments.

The Executive Directors have significant commercial, financial and operational experience of the markets and sectors within which the Group operates. The diverse range of skills and leadership experience of the Non-Executive Directors enables them to provide strategic guidance and constructive challenge to the Executive Directors. In addition, they scrutinise and hold to account the performance of management and the Executive Directors.

Biographies of the Board are set out on pages 94 and 95.

The Executive Committee

The Executive Committee is chaired by the Chief Executive and ordinarily meets monthly. It oversees the implementation of the Group's strategy and its operations including, for example, monitoring of business division performance, consideration of government and customers, people, environment, safety and wellbeing, IT and Performance Excellence matters.

Group delegations

The businesses are led by the Group Managing Directors, each of whom sits on the Executive Committee. They are responsible and accountable for the performance of the respective business divisions, in line with the Operating Framework and the Group's Delegations of Authority as well as contributing to the implementation of the strategy set by the Board. Within the business divisions, governance is delegated to the senior leadership teams. In addition, the legal subsidiaries within the business divisions and their holding companies have their own boards of directors to oversee the operational performance of those companies, in line with their statutory duties.

Division of responsibilities

Chairman

Responsible for the effective operation, leadership and governance of the Board:

- Chairs Board meetings, Nomination Committee meetings and the Annual General Meeting
- Sets the Board agenda with the Chief Executive and Company Secretary
- Facilitates active engagement by all Directors
- Ensures the Directors receive accurate, timely and clear information
- Sets the tone and style of Board discussions

Chief Executive

Responsible for proposing strategy to the Board and delivering it:

- Runs the business
- Ensures the Board is aware of current business issues
- Communicates the Board's expectations with regard to values, behaviours and culture

Chief Financial Officer

Responsible for the Group's financial affairs:

- Contributes to the management of the Group's business
- Supports the Chief Executive with the development and implementation of the strategy

Non-Executive Directors

Responsible for overseeing the delivery of the strategy:

- Advise and constructively challenge the Executive Directors
- Scrutinise the performance of management in achieving agreed objectives and goals and monitor the reporting of performance
- Perform their duties diligently and use best endeavours to promote, protect, develop and extend the business of the Group
- Devote time to develop and refresh knowledge and skills

Senior Independent Director

Responsible for ensuring that the Chairman's performance is evaluated:

- Acts as a sounding board for the Chairman and supports him in the delivery of his objectives
- Serves as an intermediary with the Chairman for other Directors if necessary
- Maintains a comprehensive understanding of the major issues of shareholders and is available if shareholders have any concerns that they have been unable to resolve through the normal channels

Company Secretary

Responsible for maintaining the governance and listing rules compliance framework:

- Supports the Chairman, Chief Executive and Committee Chairs in setting agenda items for Board and Committee meetings
- Assists the Chairman and the Chief Executive in ensuring that the Directors are provided with relevant information in a timely manner
- Organises inductions for new Directors and ongoing training for all Directors
- Advises the Board on developments in corporate governance, legislation and regulation

1 2 3 4
Link to strategic objectives
Read more on page 20

Board principal activities

The Board held seven scheduled meetings, one of which was a call, during the year. One day was also dedicated to discuss strategy. The principal activities undertaken by the Board during the financial year were as follows:

Strategy 1 2 3 4

- Received an update from the Executive Committee on the progress of the implementation of the Strategy including ESG, people, IT and digital strategies within each business division
- Received an update on capital markets and refinancing from our advisors as part of its Strategy day
- Monitored progress against the medium-term value creation plan

Business and operational 1 2 3 4

- Received updates on the progress of our key contracts and projects, and order book
- Received regular updates on our key performance indicators such as safety, health, people, customers and sustainability metrics
- Received regular updates on the progress of our Performance Excellence workstreams
- Undertook deep dives into Construction and Natural Resources, Nuclear & Networks businesses to understand their challenges and opportunities and meet the management team
- The Board received an in-depth update on Environmental and Social matters including legislative and market updates and key trends

Financial 3 4

- Approved the full-year results and the Annual Report and financial statements for the 2022 financial year
- Approved the half-year results for the 2023 financial year
- Agreed the Viability statement as disclosed in the Annual Report
- Approved the Going concern basis of accounting in preparing the half-year and full-year results
- Approved the Group's Tax Strategy statement
- Approved the Budget for the 2024 financial year
- Regularly reviewed the Group's financial performance and forecasts and the funding of the Group
- Approved the recommendation of the re-appointment of PwC following the audit tender process

Leadership and people 2 3 4

- Appointment of Ms Chris Browne and Ms Margaret Hassall as Independent Non-Executive Directors
- Received updates on the Group's people agenda including progress on diversity and inclusion, rewards and benefits enhancements, employee engagement surveys, and development and talent programmes
- Received and reviewed the Gender Pay Gap report and the Ethnicity Pay Gap report

Internal control and risk management 2 3 4

- Considered and agreed the Group's risk appetite and principal risks
- Assessed the effectiveness of our internal control and risk management systems

Governance and stakeholders 1 2 3 4

- Received feedback from institutional investors and analysts through regular updates from our Investor Relations team on the views of our shareholders
- Chairman and Chair of the Remuneration Committee held meetings with key shareholders to discuss executive remuneration matters
- Approved the Modern Slavery Statement
- Received updates on our whistleblowing programme and compliance matters
- Engaged with our people through Visible Leadership Tours

Board and Committee membership and attendance

Details of attendance by each Director at the principal Board meetings and calls during the financial year are as follows:

Name	Attendance
Matthew Lester	7/7
Alison Atkinson	7/7
Justin Atkinson	7/7
Chris Browne[1]	6/6
Andrew Davies	7/7
Margaret Hassall[2]	2/2
Simon Kesterton	7/7
Dame Heather Rabbatts[3]	5/5
Clive Watson	7/7

1. Chris Browne appointed with effect from 15 September 2022.
2. Margaret Hassall appointed with effect from 5 April 2023.
3. Dame Heather Rabbatts resigned on 30 March 2023.

In addition, there was one unscheduled Board call during the year. Attendance at Board Committee meetings is set out in the respective Committee sections.

Board evaluation

2022 Board evaluation

The Board made good progress on the recommendations and agreed areas of focus from last year's internally facilitated review. These include the following matters and an update on the progress is set out below:

Feedback	Progress/Action
Continue focus and monitor the delivery of our medium-term plan	Increased focus and discussions at each Board meeting by way of tracking different metrics to monitor progress of our medium-term value creation plan.
Succession planning	A key part of this is Board and Executive Committee succession. The Board monitored the development plans for our Executive Committee in particular and the pipeline of talent coming up through the business. More information on this is set out in the Nomination Committee report on pages 117 and 118.
Deep dive on environment and social sustainability	The Board held a deep dive on environment and social sustainability.
Innovation and digital	There has been increased discussion on our digital strategy and showcase of the applications used to deepen the Board's understanding in this area plus site visits to see it in operation. The Board would like to monitor and support Kier on this journey. It has nominated one of our Non-Executive Directors, Chris Browne, to provide oversight on our digital strategy.

2023 Board evaluation

This year's Board evaluation took the form of a questionnaire and feedback was sought from all the Board members. The questionnaire sought input on a range of matters including culture, engagement with stakeholders, effective oversight of targets and objectives, quality of discussion and Board papers. Please see pages 105, 115, 119 and 142 for information about the effectiveness evaluation of each of the Committees conducted this year.

The outcome of the evaluation was discussed by the Board and showed that the Board is operating well. The review identified areas that could improve the Board's performance such as:

- meet the pipeline of talent coming through the business
- more meetings for Non-Executive Directors in view of additional new Board members.

The Board sets itself a series of objectives to ensure that the annual schedule of meetings enables an effective review of strategy and performance. It is designed to ensure that all stakeholder issues are covered over the cycle and to incorporate feedback from Board members.

The Chairman chose to conduct an externally-facilitated Board review in line with best practice in the 2021 financial year. It is the Board's intention to carry out an externally-facilitated review in the next financial year.

Board visit to Mogden Sewage Treatment Works

The Board visited our Mogden Sewage Treatment Works site in London where we are helping Thames Water in a resilience project that includes the design and construction of a significant modernisation and improvements to the existing facility, providing additional resilience and capacity. The team on site gave a briefing of the project and took the Board for a tour around the site. There was also an opportunity to ask questions and engage with our people on site.

This visit was combined with a presentation from our Natural Resources, Nuclear & Networks business where the senior leadership team discussed the priorities, opportunities, challenges, and market development in the various sectors we operate in and our relationship with key customers and stakeholders. It was insightful to hear in particular of our experience in the water industry following the site visit and how Kier can support our customers in this increasingly regulated market.

Board development

To ensure the Board continually updates and refreshes its skills and knowledge, ongoing training and development support is provided to the Board during the year. The Board is regularly briefed on business-related matters, governance, investor expectations, legal and regulatory impacts. Both the Risk Management and Audit Committee and Remuneration Committee received updates on relevant accounting and remuneration developments, evolving market trends and changing disclosure requirements from external advisers and management.

During the year, the Board members enhanced their professional development with the following training:

Construction business presentation

The senior leadership team gave the Board an in-depth presentation on the regional performance, market trends, risks and opportunities, strategic priorities, people agenda including the diversity and inclusion programmes, safety programmes and the evolution of their leadership team and business over the last few years. This was also an opportunity for the Board to meet the talents for succession planning purposes.

Sustainability deep dive

The Board received an in-depth update from our Environment and Social Sustainability teams during the year. This enabled the Board to understand our Social Value journey to date, how we measure Social Value and the evolution of our Social Value strategy. Following the disclosure of the scope 3 emission for the first time in FY22, the Committee reviewed the breakdown of our carbon footprint including understanding the components in our scope 3 calculations and where Kier has the biggest impact. The Board also received updates on our climate-related risks and opportunities. More information is set out in the ESG Committee report.

Board site visit and presentation by the Natural Resources, Nuclear & Networks team

Details of this visit are described in the case study on this page. This was a great opportunity for the Board to understand the sector and the business and meet the senior leadership team and talents in the business.

Culture

The Board recognises the important role that it plays in assessing and monitoring the Group's culture, so as to ensure that policy, practices and behaviour throughout the Group are aligned with its purpose, values and strategy.

The reports to the Board (via People updates or in other reports such as the Chief Executive's reports) included matters relating to culture such as:

- Employee pulse surveys
- Turnover and absenteeism rates
- Training data
- Senior recruitment, reward and promotion decisions
- Whistleblowing, grievance and 'speak-up' data
- Board interaction with senior management and workforce
- Health and safety data
- Promptness of payments to suppliers
- Attitudes to regulators, internal and external auditors and compliance
- Information from internal audit on the impact of policies and processes

The Board carefully considered the above matters, plus a range of initiatives and concluded that the culture at Kier was supportive of our vision and values and an enabler of sustainable performance.

Driving the culture programme

The Board also received periodic updates on the progress of the implementation of the culture programme that was launched last year. The purpose of this programme is to shape a safe, collaborative and high-performing culture. The Chief People Officer led the Board on a deep dive into the behaviour framework and the behaviours that support the culture and values. A balanced performance scorecard has also been developed based on the feedback of our people to measure how Kier is performing with key stakeholders such as customers, people, shareholders and supply chain partners.

Whistleblowing

In order that employees can report any matters of concern in confidence, the Group makes available an externally-hosted, confidential whistleblowing helpline, provided by Safecall. During the year, the Board received reports on calls received via the Safecall helpline and via other means. The reports categorised the matters reported into a range of issues such as financial, HR, safety, compliance (including anti-bribery and corruption) and how management had investigated them. In FY23 there were 31 calls made to Safecall (FY22: 40) and 15 reports received via other means such as line management or directly to Group Compliance (FY22: 22). The overall reduction is consistent with the decreased number of employees and a general downward trend following the pandemic.

No issues which were material in the context of the Group were reported to the helpline or via other means during the year. The Chairman will personally be informed of any issues raised concerning any members of the Board or senior management, even if not ordinarily qualifying as being regarded as material, noting that there were no such cases to be advised of in FY23.

Engaging with our people

During the financial year, the Chairman and Non-Executive Directors undertook a total of 25 visits (FY22: 20).

These visits are structured in a way to allow the Directors to get an overview of the project, speak directly to the workforce by way of question and answer sessions and provide visible leadership to the workforce on site.

A summary of feedback is reported back to the Board. Management considered their feedback carefully and as a result has implemented some key initiatives as set out on this page.

Conflicts of interest

The Board has a number of measures to manage conflicts of interest so as to ensure that the influence of third parties does not compromise or override its judgement. For example, the Board's agreement is required before a Director may accept any additional board commitments, whether paid or unpaid, so as to ensure that potential conflicts of interest are identified at an early stage and that the relevant Director will continue to be able to dedicate sufficient time to the Group. The Board considered all of Ms Browne and Ms Hassall's current commitments before making a decision to appoint them as Independent Non-Executive Directors.

The Board and our stakeholders

Kier engages with our stakeholders in different ways. Engagement activities with key stakeholders are set out on pages 70–73 in the Strategic report. The Board and its Committees receive regular updates on the engagements and use their views and feedback to either make better decisions or provide constructive challenge on activities, programmes and initiatives being considered. The following paragraphs set out the direct engagement that the Board has had with our stakeholders.

Engaging with our people

The Board decided not to introduce any of the three methods suggested in the Code but to develop an approach which built on the mechanism which we already had in place. Due to the nature and locations of the business and that Kier's workforce comprises individuals with a wide range of skills and experiences, the Board concluded that each Board member has responsibility for engaging with our people in order to gather their views and to understand the culture within the Group.

Each Board member had the opportunity to listen to employees' views on a wide range of areas such as Kier's strategy and performance, methods of communication, culture, talent development programmes, impact of our diversity and inclusion programmes, and our wellbeing and people agenda. A summary of feedback is reported back to the Board.

Management considered their feedback carefully and as a result has implemented some key initiatives such as engaging with the Lighthouse Club who provide preventative support via their raising awareness campaign 'Make it Visible' and reactive support such as emergency support following incidents; and improvement in the delivery of IT tools.

Some of the Chairman's site visits also took the form of two-day visits to a regional location, which included presentations from the regional business team on their recent projects, performance, challenges and opportunities in the region and deeper engagement with a small group of the workforce and the management team.

Engaging with our shareholders

The Board engages with shareholders throughout the year in many different ways. More information on our shareholder engagement programme is set out in Our stakeholders on page 70.

The past Chair of the Remuneration Committee engaged directly with key shareholders on matters in connection with executive remuneration prior to the 2022 AGM and after the AGM in order to understand their views on the resolution to approve the Directors' Remuneration report, which received 56% support.

The engagement was continued by Ms Hassall, the new Chair of the Remuneration Committee, in regard to our triennial approval of the Directors' Remuneration Policy.

The Chairman offered to meet shareholders after the publication of results. Only some took up the invitation and the Chairman and the Corporate Development Director met with a number of shareholders after the publication of our 2023 interim results. They discussed our performance, progress against the delivery of our medium-term value creation plan and ESG matters and heard the shareholders' views on executive remuneration. Details of the shareholder consultation on the Directors' Remuneration Policy is set out in the Directors' Remuneration report from page 121–124.

Annual General Meeting

The 2022 AGM was held in person. The Directors would like to extend their thanks to those shareholders who attended the meeting and asked interesting and informative questions. At the AGM, the Chief Executive gave a brief presentation on Kier's 2022 results and the highlights of the recently announced Trading Update. Following the meeting, the results of votes received in respect of each resolution put to the AGM, together with the number of abstentions, were announced through a regulatory information service and published on Kier's website. All the resolutions proposed at the 2022 AGM were passed with 63% of the issued share capital voted (2021: 55%).

Details of the 2023 AGM are set out in the Notice of AGM. Shareholders may submit proxy votes and any questions either electronically or by post.

S172 statement

How the Board took account of stakeholder views and the matters set out in section 172 of the Companies Act 2006 in Board discussions and decision making are set out on page 90. An example of this is set out below.

Strategy Day

In addition to reviews of the performance of the business, People, Responsible Business and Corporate Affairs matters throughout the year, the Board also dedicated a day to review the Group's strategy. Whilst a full pack of papers was provided covering a wide range of topics to ensure Directors were fully briefed, the focus of the Strategy Day was on a small number of key items. As well as hearing from our Executive Committee, external guests were invited to share their areas of expertise. Their insights contributed to the Board's discussions on the strategic priorities underlying the medium-term value creation plan. In considering this the Board focused on the long-term interests of the Company, the interests of shareholders, debt holders, employees, customers, and supply chain partners and the impact of the Company's operations on the community and environment. This Strategy Day also enabled the Board to plan its approach and priorities for the next financial year.

Risk Management and Audit Committee report

"In the year under review, the RMAC's role has continued to evolve. Our remit has expanded to monitor cyber risk management and IT resilience. We have also undertaken our external audit tender."

CLIVE WATSON
Chairman of the Risk Management and Audit Committee

Committee membership and attendance

Name	Attendance
Clive Watson (Chairman)	4/4
Justin Atkinson	4/4
Alison Atkinson	4/4
Chris Browne[1]	3/3
Margaret Hassall[2]	2/2
Dame Heather Rabbatts[3]	2/3

The secretary of the Committee is the Company Secretary.

The Committee's Terms of Reference were reviewed and updated during the year. Further details of the Committee's responsibilities can be found on the Company's website.

1. Chris Browne appointed with effect from 15 September 2022.
2. Margaret Hassall appointed with effect from 5 April 2023.
3. Dame Heather Rabbatts resigned on 30 March 2023 and was unable to attend a Committee meeting due to illness.

Key activities during the year

- External audit tender
- Reviewed the Group's financial results prior to announcement, external audit findings and ancillary matters including Going concern and the Viability statement
- Reviewed the assessment of the Group's systems of risk management and internal control
- Evaluated the effectiveness of the internal and external auditors
- Reviewed the progress against the FY23 internal audit plan and approved the FY24 internal audit plan
- Received risk management updates, reviewed the corporate risk register and reviewed and approved the Kier risk maturity assessment
- Received regular updates on the Group insurance programme and associated risks
- Reviewed the Group's tax strategy
- Received regular updates on fraud prevention and detection processes
- Received half-yearly updates on the Kier IT programme and cyber risk management
- Reviewed and assisted with remuneration discussions

Role of the Committee

- Monitoring the Group's financial reporting procedures
- Reviewing the integrity of the Group's financial statements, challenging significant financial and other judgements
- Reviewing the adequacy and effectiveness of the Group's risk management and internal control systems
- Advising the Board on the emerging and principal risks facing the Company (including those that would threaten its business model, future performance, solvency or liquidity and reputation), the identification of emerging risks and the management and mitigation of such risks
- Reviewing the effectiveness of the Group's Internal Audit function, agreeing the list of audits to be conducted each year and reviewing the results of those audits
- Reviewing the independence and objectivity of the external auditor, assessing its effectiveness, and approving the provision of non-audit services
- Reviewing the Group's fraud prevention and detection processes

The Committee undertakes these significant tasks on behalf of the Board and provides independent oversight on financial matters. This also frees the Board's available time to focus on strategic matters in line with its duties and responsibilities and matters reserved.

Chair's introduction

I am pleased to present the work of the Risk Management and Audit Committee ('RMAC' or the 'Committee') for the year.

The role of the RMAC at Kier continues to evolve. In the year we have continued to monitor developments in corporate governance including the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations and the Financial Reporting Council ('FRC') Corporate Governance Code consultation. The FRC plan to strengthen the 2018 UK Corporate Governance Code to provide for an explicit directors' statement about the effectiveness of a company's internal controls and the basis for that assessment, and to work with companies, investors and auditors to develop appropriate guidance. Management has continued to work on the implementation of controls and processes to strengthen our risk, controls, and assurance framework and is developing a Group Audit and Assurance Policy. We will monitor the developments in this area over the coming financial year and the development of a resilience statement.

We have also reviewed the FRC's Audit Committees and the External Audit: Minimum Standard (the 'Standard'). Whilst as at the date of this Annual Report, Kier is not required to apply the Standard, it is our long-term aim to comply with the Standard provisions.

The duties of the Committee are structured to reflect the financial reporting requirements of the Group. During the last year, the Committee has continued its usual review of accounting judgements and key disclosures on key accounting matters that include contract accounting and adjusting items, whilst overseeing the effectiveness of PwC as our external auditor. As outlined in the FY22 Annual Report, a competitive audit tender was undertaken during FY23 to comply with audit tenure requirements. We were pleased to reappoint PwC as the external auditor to the Company with Darryl Phillips appointed as the new audit partner for the financial year ending 30 June 2024. Further information on the audit tender process is provided in this report.

The Committee has continued to monitor and review the Group's systems of risk management and internal control. During the year, we have further developed our risk management framework, with our Corporate Risk Register being updated and simplified to include management action plans, status and assurance based on the Group's three lines of defence model.

The Committee has continued to monitor the Group's fraud prevention and detection processes and expanded its review of cyber risk management and IT resilience.

Information on the following pages sets out in detail the composition of the Committee, its activities and priorities going forward. I hope that you will find this report useful in understanding our work.

Clive Watson
Chairman of the Risk Management and Audit Committee

Composition of the Committee

In line with UK Corporate Governance Code recommendations, the Board has confirmed that all members of the Committee are Independent Non-Executive Directors and have been appointed to the Committee based on their individual financial and commercial experience.

The Board has also confirmed that Clive Watson, as Chairman of the Committee, has recent and relevant financial experience through his previous role as Finance Director of a listed company and experience as the Chairman of the Audit Committees of other listed companies. Justin Atkinson is also a qualified accountant and holds the position of Audit Committee Chairman for another listed company.

During the year under review, the following people have also attended Committee meetings:
– the Chairman, the Chief Executive and the Chief Financial Officer
– the Group Financial Controller
– representatives from PwC as external auditors
– the Group Legal and Compliance Director, the Chief Information Officer and the Head of Group Treasury
– the Head of Risk and Internal Audit, other members of the Risk and Internal Audit function and representatives from Deloitte, the Group's co-sourced internal audit services provider.

Outside of the formal meetings, the Chair of the Committee held discussions with members of management (including the Chief Financial Officer, the Group Financial Controller and the Head of Risk and Internal Audit) and with PwC without management present.

The Committee meetings also provide the opportunity for the Independent Non-Executive Directors to meet privately with PwC and the Head of Risk and Internal Audit without the Executive Directors present. There were no concerns raised for FY23.

Annual evaluation

This year's evaluation was performed by way of a questionnaire and the output was reported to the Committee. This concluded that the Committee remains effective, with agreement that the Committee should remain focused on the preparation for future reporting requirements.

Systems of risk management and internal control

The Board has ultimate responsibility for the Group's systems of risk management and internal control, including those established to identify, manage and monitor risks. The Board has delegated the responsibility for overseeing management's implementation of those systems to the RMAC.

The Head of Risk and Internal Audit reports to the Committee on strategic risk issues and oversees the Group's risk management framework. The Group Risk Committee, chaired by the Group Legal and Compliance Director, provides executive management leadership and oversight of the Group's risk management framework. It acts as a link between the RMAC and the business in relation to the management of risk.

Information on how the Group identifies, manages and monitors risks, including a description of the principal aspects of the Group's systems of risk management and internal controls and the risk management framework, is set out on pages 74–83.

As the Group's risk management and internal control systems mature, the Committee will continue to review the adequacy and effectiveness of these systems.

Annual review of the effectiveness of the systems of risk management and internal control

The Board conducted its formal annual review of the effectiveness of the Group's systems of risk management and internal control following management's assessment of the key elements of these systems, taking into account the FRC's Guidance. This year's review covered existing risk management practice and processes; risk appetite and culture; consideration of the review of the operation of the three lines of defence; the Operating Framework and its policies, minimum standards and procedures in relation to managing technical, commercial, legal and financial risks; compliance controls; and financial monitoring, reporting and internal control processes. It was concluded that there were no material breakdowns or weaknesses identified in the Group's risk management and internal control systems.

Fraud prevention and detection processes

The Committee's duties have expanded to monitor and review the Group's fraud prevention and detection processes. In light of the current geopolitical climate, it is an area that has seen heightened risk and with the implementation of the Economic Crime and Corporate Transparency Bill, together with the additional regulatory requirements that this will bring, the Committee will remain focused on this area.

As a Group, we believe that we have an effective control environment to prevent financial misstatement or manipulation of our financial systems, with our Code of Conduct setting clear expectations of honesty and integrity for every employee at all levels within the Group.

Internal audit

During the year, the Committee monitored progress against the FY23 internal audit plan working alongside Deloitte as co-source provider. Before each audit, the scope of review, timetable and resources required were agreed with management. Updates were provided to management and members of the Committee on the status of ongoing audits at Committee meetings during the year.

The audits undertaken in FY23 reflected the size of the Group and covered a wide range of areas that included, but was not limited to: contract management, financial systems, cyber security, environmental sustainability, compliance, diversity and inclusion and business division specific audits. Other elements of the Group's internal control environment were selected for review so as to assess the Group's exposure to its principal risks and uncertainties and develop ways to remedy any identified weaknesses in the Group's systems of risk management and internal control. Results from these audits were discussed by the Committee, together with the follow-up actions taken by management.

The Committee received, considered and approved the FY24 annual internal audit plan which has taken into account the increased maturity of the Group's risk management processes and control environment. During the year, the Internal Audit team strengthened its in-house capability with co-sourced arrangements remaining primarily focused on specialised audit areas such as cyber. Overall, the FY24 internal audit plan aligns to our principal risks and uncertainties, with an increased focus on the three lines of defence. Specific process audits are selected on risk and rotation, typically on a three-year cycle, unless there are significant changes to a business or process. The Committee confirmed that the internal audit function had sufficient experienced resources to deliver the plan.

Internal Audit function effectiveness

To assess the effectiveness of the Internal Audit function, members of the Committee and senior management completed a questionnaire addressing various aspects of the Internal Audit function's performance. The feedback was reviewed by the Committee and they concluded that, overall, the Internal Audit function was operating effectively within its remit.

Financial reporting

The Group has clear policies and procedures which are designed to ensure the reliability and accuracy of financial reporting, including the process for preparing the Group's interim and annual financial statements. The Group's financial reporting policies and procedures cover financial planning and reporting, preparation of financial information and monitoring and control of capital expenditure. The Group's financial statements preparation process includes reviews at business and Group levels. The Committee reviewed the accounting judgements, assumptions and estimates as set out in the papers prepared by management and determined, with the input from the external auditor, the appropriateness of these. The significant issues considered by the Committee in relation to this year's financial statements are listed on pages 108 and 109.

The Group's financial reporting calendar is as follows:

Financial reporting calendar

September

- Management updates Committee on the key accounting issues and judgements for approval by the Committee and recommendation to the Board
- Auditor presents their findings of the audit, together with their auditors' report and provides confirmation of their independence
- Committee makes a recommendation to the Board on whether the annual report and financial statements are fair, balanced and understandable and on the reappointment of the auditor at the AGM

December

- Review of external audit effectiveness
- Half-year review plan
- Auditor engagement letter

March

- Management presents the half-year financial statements
- Auditor presents half-year review memorandum
- Review of auditor independence
- Full-year audit strategy, plan and fee

June

- Management provides Committee with an overview on the key accounting issues and judgements in respect of the full-year results
- Update on the audit strategy, plan and fee
- Non-audit services policy review (annual)

External audit

FY23 audit

The Committee has taken the following key steps in overseeing the FY23 external audit by PwC:

- Reviewed the PwC audit plan, resources and audit risk assessments;
- Agreed the materiality level for the audit;
- Reviewed and agreed the timetable for the Annual Report and audit plans, including the key areas of focus;
- Agreed and approved the final audit fee;
- Discussed and reviewed the Going concern and Viability statements;
- Discussed and reviewed the audit findings, significant issues and other accounting judgements; and
- Approved the representation letter, following a review by management and noted PwC's independence.

External auditor effectiveness and audit quality

The Code requires the RMAC to undertake an annual assessment of the effectiveness of the external audit. This was performed through the use of a questionnaire which was issued to key stakeholders, including members of the Committee and those involved in the FY22 audit.

The review and qualitative assessment focused on feedback and insights, planning and communication, and the quality and experience of the audit team. The Committee considered the feedback received and its wider knowledge and concluded that the external audit process for FY22 was effective and that PwC provided an appropriate independent challenge to management. The feedback received in the effectiveness review has been taken into consideration in the FY23 audit.

The Committee will formally assess PwC's performance in relation to the FY23 audit following its completion.

"For FY22, PwC provided an appropriate independent challenge to management. The feedback received in the effectiveness review has been taken into consideration in the FY23 audit."

Significant matters and accounting judgements relating to the financial statements

The Committee reviewed the following significant matters and other accounting judgements relating to the 2023 financial statements:

Contract accounting	The Group has significant long-term contracts in the Infrastructure Services and Construction businesses. Accounting for long-term contracts has continued to be a key area of focus for the FY23 audit. An assessment of the likely profit on long-term contracts requires significant judgement because of the inherent uncertainty in preparing estimates of the forecast costs and revenue. Recoverability of work-in-progress on long-term contracts involves significant estimates, including an estimate of the end-of-life outcome of the projects. During the year, the Board reviewed and challenged management's latest assessment of the forecast costs of, and revenues from, certain of the Group's long-term contracts and the Committee discussed PwC's audit of management's assessment of the performance of certain of the Group's contracts so as to satisfy themselves as to the positions taken in the 2023 financial statements.
Impairment of goodwill	The review of the carrying value of goodwill in Infrastructure Services was identified as a key area of focus for the FY23 audit. Having discussed the review with management and PwC, the Committee agreed that, although there was no requirement to take an impairment charge with respect to the Infrastructure Services business, specific disclosures would be included in the notes to the 2023 financial statements as to the sensitivity of impairment to changes in key assumptions.
Presentation of the Group's financial performance	As stated in its accounting policy, the Group has an alternative performance measure of 'adjusted operating profit' which is consistent with the measures used by management to assess the Group's financial performance and aid the understanding of the performance of the Group. The Committee i) reviewed the policy wording during the year and confirmed its ongoing application, ii) reviewed the individual items excluded from adjusted operating profit, and iii) agreed the classification of, and disclosures relating to the adjusting items presented in the 2023 financial statements, ensuring that APMs are presented with equal or lesser prominence than statutory figures and on a consistent basis year-on-year.

Significant matters and accounting judgements relating to the financial statements continued

Going concern/Viability statement	In conjunction with PwC, the Committee reviewed and assessed the work undertaken to support the adoption of the going concern basis for the 2023 financial statements and the viability statement. In particular, the Committee and the Board reviewed the Group's cash flow forecasts over the period ending 31 December 2024, in assessing the going concern basis; and over a period of three years from 30 June 2023 for the viability statement, which are included in the Group's three-year strategic plan together with the assumptions on which such forecasts are based. The Committee also considered the stress-testing of these forecasts for severe but plausible downside scenarios that could have an impact on the Group and the availability of mitigating actions, as required, in the event that such scenarios occurred. For further information on the work to support the going concern basis of preparation for the 2023 financial statements, please see 'Going concern' on pages 171 and 172 and further information on the work to support the Viability statement can be found on page 89.
Carrying value of investments in Kier Limited and recoverability of balances owed by subsidiary undertakings	In light of the carrying value of the Company's investment in its principal operating subsidiary, Kier Limited, and the carrying value of balances owed by subsidiary undertakings, relative to the Company's market capitalisation, the carrying value of these balances were identified as key areas of focus for the 2023 audit. Following management's review, which PwC concurred with, the Committee concluded that no impairment was required against either the carrying value of the investment held by the Company in Kier Limited or the balances owed by subsidiary undertakings.
Retirement benefit obligations	The Group operates a number of defined benefit pension schemes. The Committee reviewed the assumptions made by management in determining the defined benefit surplus at 30 June 2023. This included considering the advice from independent qualified actuaries, together with the views of PwC's pension specialists, and concluded that they were appropriate.

Provision of non-audit services

During the year, PwC provided certain non-audit services to the Group. The Committee monitors these services to ensure that the associated fees are not of a level that would affect PwC's independence and objectivity. The Chief Financial Officer has authority to approve up to £50,000 on individual assignments. For non-audit fees above £50,000, these must be approved in advance by the Committee and if approval is required urgently, this may be provided by the Chair of the Committee with subsequent reporting of the approval to the Committee. The Committee reviewed the non-audit fee policy for the external auditor during the year and confirmed it remained appropriate.

The Company's non-audit services policy reflects the FRC's revised Ethical Standard for Auditors (2019). The policy provides that the Committee expects that the level of non-audit fees in any one financial year will not exceed 15% of the audit fees payable in relation to the previous year. The Committee may approve non-audit fees in excess of this figure, up to 70% of the average of audit fees paid in the previous three years, subject to the Committee being satisfied that (i) there is clear evidence that the auditors' skills and experience make them the most appropriate firm to provide the relevant services and (ii) the auditors' independence and objectivity would not be compromised by the appointment.

The total non-audit fees paid to PwC in FY23 were £193,000. These non-audit fees related to PwC's work in relation to their review of the Group's 2023 interim results. The total non-audit fees subject to the FRC's 70% non-audit fee cap, which excluded amounts attributable to public reporting workstreams required by legislation, was ££193,000. This represented 5% of the average audit fees over the previous three years.

External auditor independence

The Committee concluded that PwC's independence and objectivity were not compromised by the provision of these services. As part of the FY23 audit, PwC confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account and having considered the steps taken by PwC to preserve its independence, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

> "A clear set of assessment criteria was used to assess the two audit proposals and public reports published by the FRC on the quality of each firm's audits were used to understand how the firms were demonstrating continuous improvement in audit quality and culture."

Tenure and audit tender

PwC was appointed as external auditors in 2014 for the financial year ended 30 June 2015 following a competitive tender process. In accordance with audit regulation, PwC operates a policy of rotating the Audit Partner every five years. Andrew Paynter was appointed as the lead audit partner in January 2019 and the FY23 audit was his last Kier audit. As noted in the 2022 Annual Report, the Committee had determined that it was in the best interests of shareholders to undertake a competitive tender of external audit services in 2023. It should be noted that towards the end of our audit tender process, the FRC published the Audit Committees and External Standard: Minimum Standard (the 'Standard') and where possible, we have followed the Standard.

During the year, an audit tender sub-committee (the 'Sub-Committee') was formed to lead the audit tender process. The sub-committee was comprised of the Chairman of the Audit Committee, the Senior Independent Director, the Chief Financial Officer and the Group Financial Controller. Throughout the process, the Sub-Committee reported to the RMAC meetings on the progress of the audit tender.

At the beginning of the process, we approached six audit firms that included 'challenger' firms to assess their interest in participating in the audit tender, their ability to perform the audit and to confirm their independence.

Subsequently, two audit firms were selected to take part in the tender process. This included the incumbent auditors, PwC.

Both audit firms participating in the tender were given access across the Group to assist them in their understanding of our business, our finance function and our accounting policies. Each firm submitted an audit proposal that included an audit plan, together with their audit approach with particular focus on key risks faced by the Group. Presentations were made to the Sub-Committee by each lead audit engagement partner with their proposed audit team.

A clear set of assessment criteria was used to assess the two audit proposals and public reports published by the FRC on the quality of each firm's audits were used to understand how the firms were demonstrating continuous improvement in audit quality and culture. After careful consideration by the Sub-Committee, it was proposed that PwC, with Darryl Phillips as lead audit partner, be re-appointed to continue as external auditor to the Group. The Sub-Committee reached this conclusion based on their audit approach, their experience in our sector and technical capabilities. The RMAC carefully considered the results of the audit tender process and supported this conclusion. Following this outcome, a summary of the audit tender process was presented to the Board along with a comparison of how each of the two shortlisted firms performed against the agreed assessment criteria. After discussion, the Board agreed with the recommendation that PwC should be reappointed as auditor to the Group. A proposal to reappoint PwC as external auditor will be put to shareholders for approval at the 2023 AGM.

Mr Phillips will be working closely with Mr Paynter in order to ensure a smooth transition for the FY24 audit.

For this financial year, the Committee considers that the Group has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

There are no contractual obligations that restrict the Committee's choice of external auditor.

2023 Annual Report – fair, balanced and understandable statement

The Board and Committee discussed the 'fair, balanced and understandable' statement and the work undertaken to support it which included:

Who	How assurance was provided
Annual Report Working group	The working group comprised individuals involved in the drafting of the Annual Report. Material disclosure items were discussed by the working group. The working group members reviewed the sections drafted by them in light of the 'fair, balanced and understandable' requirement.
Key contributors to the Annual Report	Certain key contributors to sections of the Annual Report (for example managing directors and finance directors within the business) were asked to confirm the accuracy of the information provided.
External review	Willis Towers Watson and Linklakers reviewed the Directors' Remuneration report and Directors' Remuneration Policy respectively. Feedback was provided by PwC on the overall FY23 Annual Report. All external reviews were undertaken to enhance the quality of our reporting.
The Committee and the Board	Drafts of the Annual Report were circulated to individual members of the Board, the Committee and the full Board for review.

The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Environmental, Social and Governance Committee report

"To ensure we address the topics that are most important to our stakeholders and focus where we can have the most impact, we have carried out a double materiality assessment, the output of which has guided the evolution of our Building for a Sustainable World framework."

ALISON ATKINSON
Chair of the ESG Committee

Committee membership and attendance

Name	Attendance
Alison Atkinson (Chair)	5/5
Justin Atkinson	5/5
Chris Browne[1]	4/4
Margaret Hassall[2]	2/2
Dame Heather Rabbatts[3]	3/3
Clive Watson	5/5

The Chairman, Chief Executive, Chief Financial Officer, Chief People Officer, Group Legal and Compliance Director and Group Health, Safety & Wellbeing Director also attended the Committee's meetings during the year by invitation.

The secretary of the Committee is the Company Secretary.

The Committee's Terms of Reference were updated during the year. Further details of the Committee's responsibilities can be found on the Company's website.

1. Chris Browne appointed with effect from 15 September 2022.
2. Margaret Hassall appointed with effect from 5 April 2023.
3. Dame Heather Rabbatts resigned on 30 March 2023.

Key activities during the year

- Monitored the performance of our safety targets along with the delivery of our health, safety and wellbeing strategy
- Received updates on our climate-related risks and opportunities including review of our TCFD and CDP disclosure
- Worked with the Remuneration Committee to develop ESG targets for inclusion in the executive remuneration
- Reviewed progress against the Building for a Sustainable World framework
- Approved the evolved Building for a Sustainable World framework
- Approved the carbon milestone plan
- Received updates on our ethical business practices and programmes
- Received deep dive training on sustainability matters
- Reviewed and agreed the approach to external reporting of sustainability performance
- Reviewed progress relating to both the Gender Pay Gap report and the Ethnicity Pay Gap report

Role of the Committee

- Reviewing the Group's strategy and policies with respect to safety, environment, social and governance matters
- Reviewing the initiatives and monitoring performance against the health, safety, wellbeing and environmental and social sustainability targets
- Reviewing the corporate policies and monitoring their implementation relating to responsible and ethical business practice and our proactive risk management approach
- Reviewing external reporting of sustainability performance and non-financial reporting requirements
- Reviewing the Group's exposure to ESG risks and advise the Risk Management and Audit Committee ('RMAC') of any material non-financial risks identified and any business ethics issues identified which are relevant to the role of the RMAC

Chair's introduction

This is my second ESG Committee report following the broadening of the Health and Safety terms of reference to include wider environmental and social matters that are fundamental to Kier's purpose. There has been continued focus on our safety performance and I am pleased to say that the Group's 12-monthly rolling Accident Incident Rate ('AIR') of 88 represents a decrease of 23% compared to 115 in FY22. It equates to 22 RIDDOR reportable incidents in FY23 compared to 28 in FY22. This is a strong performance and reinforces the positive effect our approach to risk and hazard management is having on our safety performance. The Committee notes the fine for safety breaches in connection with two incidents in our Highways business dating back to March 2018 and January 2019. Since these incidents occurred, the Highways business has been very successful in transforming its safety record.

To ensure we address the topics that are most important to our stakeholders and focus where we can have the most impact, we have carried out a double materiality assessment, the output of which has guided the evolution of our Building for a Sustainable World framework. Our evolved framework focuses on the three key pillars of Our People, Our Places and Our Planet. More information on the process of how we developed the framework and the way we will measure against our progress is set out in pages 42–45.

As set out last year, one of the objectives of the Committee was to oversee the development of a plan with milestones to deliver our ESG targets. Our long-term targets are set out on page 47. A milestone plan setting out the key activities and timelines to reach our carbon targets was reviewed and approved by the Committee. This is detailed on pages 47 and 48.

During the year, in consultation with the Remuneration Committee, we have agreed the inclusion of scope 1 & 2 carbon reduction targets into the Long-Term Incentive Plan. Subject to the approval of the Remuneration Policy, we anticipate it will take effect from FY24 starting from 1 July 2023. This further demonstrates our commitment to be a responsible business and to our purpose which is to sustainably deliver infrastructure which is vital to the UK. Details of this target are set out on page 141.

ESG reporting has also been a focus of the Committee to improve consistency and quality of data across each of the business divisions. Our approach to external reporting was also reviewed.

The Committee continued with its oversight of implementation of corporate policies across the Group and will be focusing on the effectiveness of the implementation of major corporate policies.

Following feedback from last year's annual evaluation, the Committee also undertook a deep dive on sustainability and gained a deeper understanding of social value matters and how best to meaningfully measure them. The Committee also undertook a review of our climate adaptation approach, the associated current legislation and the reporting environment, such as the ISSB and the UK Transition Plan Taskforce, in order to support our preparations to meet these disclosures in the near future.

The following pages set out in more detail the work of the Committee in health, safety and wellbeing, environment sustainability, social sustainability and ethical business practice.

For the coming year, the Committee will continue to focus on our ESG performance with the monitoring of progress against the carbon milestone plan as described above, improving the consistency and quality of our data, and will start to undertake relevant alignment to ISSB in order to enable Kier to meet the future regulatory and reporting requirements.

Alison Atkinson
Chair of the ESG Committee

Principal activities during the 2023 financial year

Safety, health and wellbeing

As set out earlier, the Group's 12-monthly rolling AIR decreased compared to the prior year. There has been much focus on Safety across the business to improve our safety performance and the Committee is pleased to see the good progress. Targeted activities have been undertaken to improve our safety culture, risk and hazard management, on development and training on major risk groups, and on better reporting of incidents and near misses. Safety is our licence to operate. We continue working towards our target of having zero incidents.

Following an investigation by the UK's national regulator for workplace health and safety, the Health and Safety Executive ('HSE'), on 23 January 2023 the Group was fined £4.4m for safety breaches in connection with two incidents in our Highways business dating back to March 2018 and January 2019. The incidents relate to work carried out on the M6 motorway. Since these incidents occurred, the Highways business has been very successful in transforming its safety record. Throughout the year to June 2023, Kier has had market-leading safety performance as recognised by National Highways.

The Committee was kept informed of the wellbeing activities that had taken place during the year such as the implementation of our work with the Lighthouse Club and the feedback received. The Lighthouse Club is a construction industry-focused charity providing independent mental, physical, emotional and wellbeing support.

Environment sustainability

The Group's total emissions from our business operations carbon (scope 1 & 2) for the year were 31,668 tCO_2e which equates to 9.7 tonnes per £m revenue. This represents a c.20% decrease in carbon intensity compared with 2022, and a c.59% reduction against the 2019 baseline.

During the year, we submitted our scope 1 and 2 targets for verification by the Science Based Targets initiative (SBTi). We anticipate that we will be able to publish the verified science-based targets next year.

Aligned with our commitment last year to continue to improve our reporting practices and provide increased accuracy in our scope 3 emissions, we have extended the boundaries by adding an additional GHG Protocol category. As a result of these improvements, we have restated our prior year scope 3 baseline. This ensures we track our strategy progress against a comparable baseline. See page 50 for further information.

Construction waste reduced from 4.5 to $3.0m^3$/£100k against the prior year with landfill diversion rates remaining high and stable. This has been achieved through a focus on designing out waste and close collaboration with our preferred waste suppliers. More information is set out in the Building for a Sustainable World report from page 42.

During the year, climate adaptation and disclosure were discussed as part of the sustainability deep dive, with the Committee reviewing key climate-related risks and opportunities. Examples included physical impacts on Kier's operations and infrastructure, such as flooding; transition impacts and opportunities associated with net zero construction standards; and the expansion of Kier's whole life carbon assessment service which supports clients in their decarbonisation projects. See case study on page 115.

Social sustainability

Social value is an important part of delivering on our social purpose, which is tackling inequality by giving individuals and communities tools and opportunities to create brighter futures. It is also key to winning work. We measure the economic, social and environmental wellbeing we create using the Thrive tool and the Impact Evaluation Standard ('IES') framework that sits behind it.

By capturing our social and economic value spend across our business over the last 3 years, we were able to achieve our £5bn target. Going forward, we will be reporting on 'added social value'. This will include a focus on employment opportunities, apprenticeship hours and spend with Small and Medium Enterprises.

The Committee was kept informed on the activities of our work in our communities, and also our work with the Kier Foundation, an independent registered charity that supports Kier's charity partner. More information on the social value we create can be found in the Building for a Sustainable World report on page 56.

Environmental and Social governance and ethical business practice

The Group Legal and Compliance Director oversees the Governance element of this Committee's remit. This primarily focuses on ethical business practice such as implementation of our corporate policies and procedures and modern slavery. During the year, the Committee was kept updated on the activities to ensure compliance with corporate policies such as training, assurances undertaken, and external validation of the appropriateness of the legal compliance of our policies.

An ESG reporting manual setting out the standards and principles for ESG reporting across Kier to support our disclosures was developed and implemented during the year. This is part of the workstream to improve the consistency and quality of data and reporting. The overall governance framework for Environmental and Social governance was also formalised during the year.

The Committee will also be focusing on the effectiveness of the implementation of major corporate policies and ensure it is 'fit for purpose'. This is a three-year programme.

Annual evaluation

The Committee made good progress on the recommendations and agreed areas of focus from last year's internally facilitated review. These include the following matters and an update on the progress is set out below:

Feedback	Progress/Action
Training on environment and sustainability matters and understanding of how we measure social value and the Thrive calculator tool	The Committee had a deep dive on these topics during the year which was delivered by our sustainability leaders.
Improve consistency and quality of data	An ESG reporting manual was developed and implemented during the year. Work will continue in this area.

This year's evaluation was performed by way of a questionnaire and feedback was requested from Committee members and regular attendees. The questionnaire sought input on a range of matters including effective oversight of targets and objectives, quality of discussion and papers. The outcome of this evaluation concluded that the Committee remains effective, and identified areas of priorities and focus for next year.

Our Sustainability deep dive

Following feedback from the annual evaluation last year, the Committee had a deep dive on our environmental and social value matters which was delivered by our sustainability leaders. This supports the continual development of Committee members' understanding on environmental and social matters.

On social value, topics covered included Kier's social value journey to date and how social value is measured at Kier. The Committee was also taken through the metrics used in the Thrive tool to measure social value, which links to work winning and ultimately to delivery on our strategic actions.

The Committee was taken through the definitions of scope 1, 2 & 3 emissions to ensure a common understanding of the position for Kier. Following the disclosure of the scope 3 emissions for the first time in FY22, the Committee reviewed the breakdown of our carbon footprint including understanding the components in our scope 3 calculations and where Kier has the biggest impact. This also enabled the business to focus on the opportunities and how Kier can help our clients to achieve their net zero target.

Climate adaptation was also discussed, and climate-related risks and opportunities were reviewed. The Committee learnt how Kier has been making changes to our processes and operations to adapt to climate change such as flooding; how climate change is leading to warmer, wetter winters with increased risks of surface water pollution and hotter, drier summers increasing construction dust, impacting air quality.

The focus areas of social value, carbon and climate adaption were reviewed and discussed, to enable the risks and opportunities to be managed.

Nomination Committee report

"The Committee will ensure that we have a steady supply of talent for executive positions and establish succession plans for Board changes."

MATTHEW LESTER
Chairman of the Nomination Committee

Committee membership and attendance

Name	Attendance
Matthew Lester (Chairman)	2/2
Justin Atkinson	2/2
Alison Atkinson	2/2
Chris Browne[1]	2/2
Andrew Davies	2/2
Margaret Hassall[2]	1/1
Dame Heather Rabbatts[3]	1/1
Clive Watson	2/2

The Chief People Officer attended the Committee's meetings during the year by invitation.

The secretary of the Committee is the Company Secretary.

The Committee's Terms of Reference were updated during the year. Further details of the Committee's responsibilities can be found on the Company's website.

1. Chris Browne appointed with effect from 15 September 2022.
2. Margaret Hassall appointed with effect from 5 April 2023.
3. Dame Heather Rabbatts resigned on 30 March 2023.

Key activities during the year

- Led the search for a Non-Executive Director who would fulfil the role of the Chair of Remuneration Committee, leading to the appointment of Margaret Hassall
- Oversaw the appointment of Stuart Togwell as Group Managing Director, Construction and appointment of Louisa Finlay as Chief People Officer
- Deepened its understanding of the development of a diverse pipeline for succession of Executive Committee members

Role of the Committee

- Providing a formal, rigorous and transparent procedure for the appointment of new Directors to the Board
- Maintaining an effective succession plan for the Board and senior management
- Overseeing the development of a diverse pipeline for succession to these bodies

Chair's introduction

During FY23, the Nomination Committee continued focus on the long-term succession planning for Executive Directors and Executive Committee members.

As reported last year, the Nomination Committee led the search for a Non-Executive Director leading to the appointment of Chris Browne who joined the Board on 15 September 2022. The Committee also led the search for the appointment of a Non-Executive Director to replace Dame Heather Rabbatts in her role as the Chair of Remuneration Committee, leading to the appointment of Margaret Hassall with effect from 5 April 2023. Further information on her appointment process is set out on page 119. The induction process for both Chris and Margaret is also explained on page 119.

In relation to the Executive Committee, the Committee noted the appointment of Stuart Togwell to the Executive Committee as Group Managing Director, Construction; and the appointment of Louisa Finlay as Chief People Officer. Louisa Finlay has been with Kier for over 30 years and joined us as a trainee engineer. She has worked in various regional, national and sector roles across our Construction business. We are pleased to be able to fill these roles internally: it shows the strength of our talent and orderly and effective succession planning and development of our people.

The Committee is mindful of the targets under the new diversity Listing Rules and is prioritising a search for an additional Non-Executive Director who will be from an ethnic minority background and who meets the skills, experience and diversity of thought that contributes to the decision making of the Company. Our current gender and ethnicity representation is set out in the report below. The Committee will continue to oversee the succession planning for the Executive Committee members and ensure that we have a steady supply of talent for executive positions and establish succession plans for Board changes. It will monitor and support the specific development plans for key individuals, which include a programme for the Non-Executive Directors to get to know these people better.

Justin Atkinson, our Senior Independent Director, will be reaching his ninth year in role in October 2024; the Committee is working on his succession.

Matthew Lester
Chairman of the Nomination Committee

Diversity

As set out in the Chairman's statement, the Board values diversity. Accordingly, initiatives to support diversity are included within our Building for a Sustainable World framework and we have mandated the ESG Committee to monitor our progress. The Nomination Committee continues to focus on diversity matters at the Board, Executive Committee and senior management levels.

With reference to the Board, this policy has been implemented throughout the search and appointment process for new Directors. Search firms are instructed to take diversity into account when compiling a shortlist of candidates to put forward for consideration and will be considered by the Committee during the interview and selection process. In the final selection decision, all Board appointments are made on merit and relevant experience, against the criteria identified by the Committee with regard to the benefits of diversity in the widest sense. For further information about the Company's approach to diversity and inclusion, see pages 54 and 55.

Listing Rules and Disclosure Guidance and Transparency Rules

As at 30 June 2023, 38% of the Board and 37% of executive management are women. There is currently no Board member from an ethnic minority background and there are two members of executive management from an ethnic minority background. Executive management is defined as the members of the Executive Committee including the Company Secretary.

The Board is not yet compliant with the targets under the new Listing Rule 9.8.6R (9) (a) requirements. However, the Board is mindful of the targets and the recommendations of the Parker Review, and addressing this is a priority for our Nomination Committee. It has determined to always select the best candidate for a role, regardless of race, ethnicity or any other demographic factors, while taking into consideration the benefits of diversity. But between two candidates of equal merit the Board intends that, in recognition of any under-representation of gender and ethnic diversity on the Board, preference is given to a female candidate and/or candidate from an ethnic minority background when making future appointments. Our last two Board appointments were female.

Our future aim is to have a female in a senior Board position by October 2024. As stated earlier, currently there is no Board member from an ethnic minority background. The Board is committed to appoint an additional Non-Executive Director that meets the skills, experience and diversity of thought that contributes to the decision making of the Company. The search has commenced.

Gender

Chart 1: Reporting table on sex/gender representation

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair, CEO, CFO and SID)	Number in executive management*	Percentage in executive management*
Female (including those self-identifying as female)	3	38%	–	4	37%
Male (including those self-identifying as male)	5	62%	4	7	63%
Not specified/prefer not to say	–	–	–	–	–

Ethnicity

Chart 2: Reporting table on ethnicity representation

White British or other White (including minority-white groups)	8	100%	4	9	82%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	2	18%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* Executive management is defined as members of our Executive Committee including the Company Secretary.

The Company collects the above data used for the purposes of making this disclosure from Directors on a voluntary basis. The data of our executive management is captured via the Company's internal HR system on a voluntary basis.

42%
Direct reports to the Executive Committee that are women (FY22: 37%)

25%
Total workforce that are women (FY22: 24%)

Succession planning

The Committee is responsible for the effective and orderly succession planning for the Board and senior management. It monitors the tenure of Directors to ensure that it plans sufficiently in advance of retirements from the Board to ensure orderly succession of Non-Executive Directors. All the Directors stand for election or re-election at each AGM.

Along with considering Board succession, the Committee oversees the development of a strong pipeline of diverse and talented individuals below Board level. It regularly reviews the quality of the senior management team as it recognises the importance of creating and developing a suitably talented, diverse pipeline of leaders ready to serve as the next generation of Directors and senior management.

The Chief Executive, supported by the Chief People Officer, presents to the Committee on senior management succession planning and the talent development programme for the wider workforce. For Executive Directors and for roles in senior management, plans are in place for both sudden, unforeseen absences, and for longer-term succession. These form the basis of development plans for our most talented people and will ensure that, looking forward, we have the right people to deliver our strategy.

We encourage regular contact between senior management and the Board. This may be by way of presentation to the Board, a joint Visible Leadership Tour or a one-to-one session with Non-Executive Directors to discuss a specific issue.

Appointment process of Margaret Hassall as a Non-Executive Director

The Chairman led the search together with support from the Chief People Officer and the Company Secretary. The chart below summarises the process, the outcome of which culminated in the recommendation to the Board to approve the appointment of Margaret Hassall as a Non-Executive Director. Her biography can be found on page 95.

Board appointment process

Role requirements
A set of objective criteria for the role, including the skills, experience in particular being a chair of remuneration for at least 12 months, and attributes required was prepared.

Tender for the external recruitment agency
Two agencies were invited to tender to assist the Board with the search of this appointment. The agencies invited were new to Kier to give a fresh perspective and diverse thought in our recruitment process. Following the tender, Audeliss, who is a member of the Voluntary Code of Conduct for Executive Search Firms, was selected.

Candidate search
Audeliss was then instructed to facilitate the search and identify a diverse long-list of potential candidates. A video between the Chairman and Chief People Officer was recorded to give candidates a better understanding of Kier and the operation of the Board.

Interview process
A short-list of candidates was selected and undertook an interview process by a combination of the Chairman, Chief Executive, Senior Independent Director and Chief People Officer. The interviewees provided feedback to the Chairman.

Approval
Due diligence, conflict checks and references were also carried out. Time commitment of the candidate was also considered so as to ensure the candidate has sufficient time to devote to Kier. The Nomination Committee recommended its preferred candidate of choice to the Board for approval. The Company Secretary was then tasked with the formalities.

Induction process

Upon joining the Board, Chris Browne and Margaret Hassall had an induction programme in order to assist them in becoming effective in their role as quickly as possible. The Company Secretary put a programme together in consultation with the Chairman and Chief Executive which was essentially built around a series of meetings with the Board, the Executive Committee, the Company Secretary and members of senior management (for example the Group Financial Controller, Group Legal and Compliance Director, Head of Risk and Internal Control, Chief Information Officer, Group Procurement Director, Group Health, Safety & Wellbeing Director), as well as site visits to understand the operations of our business. They also completed online training on the Code of Ethics and Inside Information and Share Dealing. Board and Committee papers, Terms of References, the Strategy Paper, Capital Markets Day presentation and internal Corporate policies such as the Code of Ethics and Operating Framework were made available on the Board portal for them to read before their first Board meetings.

Annual evaluation

This year's evaluation was performed by way of a questionnaire and the output was reported to the Committee. This concluded that the Committee remains effective and to continue focus on succession planning and diversity across all levels.

The Committee reviewed the performance of the Executive Directors and reported its conclusions to the Remuneration Committee. The Senior Independent Director led the review of the performance of the Chairman which included getting feedback from the Board and the Company Secretary. The outcome of the review was reported to the Chairman.

Margaret Hassall's induction

Ms Hassall's induction programme included a one-to-one meeting with the remuneration external adviser, Willis Towers Watson, due to the nature of her role as Chair of the Remuneration Committee. She also held extensive meetings with the Chairman, Chief People Officer and her team to understand the issues on executive remuneration following the 2022 AGM and also as Kier embarks on its shareholder consultation on the Directors' Remuneration Policy.

"I have enjoyed engaging with a diverse group of people across Kier through meetings and site visits. I look forward to building my understanding further."

25
meetings undertaken by Margaret Hassall

Chris Browne's induction

Ms Browne's in-depth experience in the digital topics meant she had a particular focus on our digital strategy and she visited a site which had the most extensive use of digital applications and software.

"I thought the induction process worked really well. I was able to see a lot of people in a relatively short period of time and spending a few days on sites was really helpful."

20
meetings undertaken by Chris Browne

Directors' Remuneration report

"The Committee's approach to remuneration seeks to support the strategy and promote long-term success for the benefit of all our stakeholders. It is directly linked to delivery of the Group's medium-term value creation plan."

MARGARET HASSALL
Chair of the Remuneration Committee

Committee membership and attendance

Name	Attendance
Margaret Hassall (Chair)[1]	2/2
Alison Atkinson	5/5
Justin Atkinson	5/5
Chris Browne[2]	4/4
Matthew Lester	5/5
Clive Watson	5/5
Dame Heather Rabbatts[3]	3/3

In addition, there were two unscheduled calls held during the year.

The Chief Executive, the Chief Financial Officer and the Chief People Officer also attended the meetings during the year. Willis Towers Watson, independent adviser, was also in attendance. The secretary of the Committee is the Company Secretary.

The Committee's Terms of Reference were updated during the year. Further details of the Committee's responsibilities can be found on the Company's website.

1. Margaret Hassall appointed with effect from 5 April 2023.
2. Chris Browne appointed with effect from 15 September 2022.
3. Dame Heather Rabbatts resigned on 30 March 2023.

Key activities during the year

- Consulted with key shareholders following the voting outcome of the 2022 AGM and agreed how the Committee will respond;
- Considered the changes required to the Remuneration Policy to ensure it continues to align management and shareholder interests by remaining competitive and incentivising delivery of the strategy through short, medium and long-term objectives of the Group
- Assessed and approved the FY23 bonus outcome and vesting of the 2020 LTIP share award
- Reviewed and approved the performance conditions of the FY24 bonus award and LTIP share award to ensure they are sufficiently stretching and directly aligned to the delivery of the medium-term value creation plan
- Considered and approved the introduction of an ESG element into the LTIP performance conditions
- Approved the FY24 base salary of the Executive Directors and senior management in the context of wider workforce remuneration
- Kept up to date on the market practice and proxy advisers' and shareholders' views on remuneration matters
- Engaged with the wider workforce through the Reward and Employee Benefits Forum
- Reviewed the Chairman's fees.

Role of the Committee

- Setting the remuneration policy relating to the Executive Directors and the Non-Executive Directors, for approval by shareholders
- Setting the remuneration of the Chairman, the Executive Directors and senior management
- Reviewing and aligning workforce remuneration and related policies;
- Approving the design of, and determining targets for, any annual performance-based bonus schemes applicable to the Executive Directors and senior management
- Approving annual bonus payments made to the Executive Directors and senior management
- Approving the design of, and determining the performance measures for, all share or share-based plans applicable to the Executive Directors and senior management
- Reviewing the vesting of all share or share-based plans applicable to the Executive Directors and senior management
- Considering payments to former Directors to ensure that they are within the terms of the remuneration policy
- Engaging with our investors on remuneration matters and maintaining awareness of broader investor expectations and best practices
- Appointing remuneration consultants and setting their terms of reference
- Determining the policy for pension arrangements for the Executive Directors and senior management.

Chair's introduction

On behalf of the Board, I am pleased to present my first annual statement as Chair of the Committee following my appointment to the Board in April 2023. The Directors' remuneration report for FY23 is divided into three principal sections:

- The annual statement, which summarises the Committee's activities and decisions during the year
- The annual report on remuneration, which provides details of the remuneration paid to the Board in FY23 and to be paid in FY24
- Directors' remuneration policy which will be subject to a shareholder vote at the 2023 AGM following its triennial review.

Before I report on the latter two items, I would like to start my statement by responding to the 2022 AGM vote on Directors' remuneration. Since my appointment I have had the opportunity to meet with several shareholders and proxy advisers. I would like to express my appreciation for the time taken to meet with me, the level of engagement and the constructive feedback given during those meetings.

Summary of shareholder feedback

Notably, all shareholders I spoke with recognised the progress made by Kier in respect of our medium-term value creation plan, how the Chief Executive and Chief Financial Officer are key to the ongoing turnaround and that they consider their retention and incentivisation a priority for the Committee. Points were raised with reference to historic communication, and the Committee notes the feedback and commits to ongoing open and proactive engagement. The majority of shareholders were also keen to hear about the support the Group has provided to employees with their wellbeing and cost of living pressures, and I summarise this in the 'Employee experience' section below.

Some shareholders felt that the grant price for the 2022 LTIP should not have used the share price at the time of grant, which was at a temporary low level, and wanted clarity regarding the decision to fully vest the 2019 LTIP grant in respect of net debt:EBITDA performance and the discretion used. Several shareholders asked about the Committee's target setting process, including how it chooses performance metrics and how it satisfies itself that the targets for the bonus and LTIP, and personal objectives for the Chief Executive and Chief Financial Officer, are sufficiently stretching and that they should not replicate other incentives.

A summary of progress to date includes:

Medium-term value creation plan targets	Progress to date
– Annual revenue c.£4.0bn–£4.5bn	– FY22: Annual revenue of £3.3bn. Order book increased by c.27% to £9.8bn – FY23: Increases in both annual revenue to £3.4bn and order book to £10.1bn
– Adjusted operating margin c.3.5%	– FY22: Margin improvement by 70 basis points to 3.7% which meets the medium-term target – FY23: Further margin improvement to 3.9%
– Cash flow conversion of operating profit c.90%	– FY22: Adjusted free cash flow conversion: 90% – FY23: Significant further increase to 130%
– Balance sheet: sustainable net cash position with capacity to invest	– The Group generated positive operating cash flow which was used to repay debt and debt-like items such as the average month-end KEPS balance, pay adjusting items, tax and interest, pension deficit obligations and remaining HMRC COVID-19 support – Average net debt reduction from £(432)m in FY21, £(216)m in FY22 to £(232)m in FY23
– Sustainable dividend policy: c.3x earnings cover through the cycle	– The Board intends to pay a dividend with effect from FY24

How the Committee is responding

I have taken the opportunity to brief the Committee on my discussions with shareholders and I am pleased to confirm how the Committee intends to respond.

- **LTIP grant price:** The 2023 LTIP grant will use a grant price that is the higher of the 2021 capital raise issue price (85p) or the three-month average share price leading up to the date of grant.
- **Metric selection:** The Committee has reviewed the portfolio of metrics for FY24 and their weighting. Average month end net debt will replace operating free cash flow in the FY24 annual bonus to remove duplication with the LTIP and in direct response to several shareholders who, like the Board, consider it a fundamental to the business.
- **Target setting:** In terms of financial targets, the Committee will continue to provide a comprehensive summary of its approach to bonus and LTIP target setting. The fundamentals will always be to improve on the previous year's achievements and to set maximum targets cognisant of both consensus at the time targets are set and the medium-term value creation plan, such that maximum pay-out will only trigger on outperformance of consensus and accelerated progress against the medium-term value creation plan. Please also note that adjusted items will no longer include restructuring and related charges from FY24 onwards.
- **Health & Safety:** The Board and management feel strongly that Health & Safety is Kier's licence to operate and it being an independently weighted metric in the annual bonus signals the importance the Board and management place on managing c.10,000 employees across c.400 live projects safely. There will continue to be no duplication of Health & Safety targets in personal objectives and targets set will be industry leading.
- **Personal objectives:** The Committee acknowledges and concurs with comments made that personal objectives should be independent of other metrics, to avoid paying twice, and be clearly measurable and related to strategy targets. The personal objectives for FY24 will be focused on employee engagement, reflecting our priorities around culture and the importance of our workforce being very engaged to deliver sustainable performance if the Group is to achieve its medium-term value creation plan. Starting with this year's Directors' remuneration report the Committee will provide a more comprehensive disclosure of personal objectives set and performance against those objectives.
- **Net Debt:EBITDA:** The 2020 LTIP award is the final award subject to a Net Debt: EBITDA target and unlike last year the Committee has been able to determine the formulaic outcome rather than exercise discretion. Detail on the formulaic outcome can be found on page 133.

These commitments, and the improvements made in the disclosures that follow, directly respond to shareholder feedback and I will continue to openly and proactively engage with our shareholders on remuneration matters.

FY23 Group performance

Notwithstanding the continued macroeconomic challenges, the Group has delivered another year of very strong operational and cash performance in the second year of the Group's medium-term value creation plan. FY23 highlights include:

- Increase in the year-end order book to £10.1bn with c.85% of revenue for FY24 secured (£9.8bn in FY22)
- 9.1% increase in adjusted operating profit to £131.5m (£120.5m in FY22) and an increased margin of 3.9% (3.7% in FY22)
- Year-end net cash position of £64.1m, an improvement of £61.2m on FY22
- Average net debt of £(232.1)m which is lower than budgeted and compares with £(216.1)m in FY22
- Significant improvement in operating free cash flow of £132.3m (£54.6m in FY22)

Employee experience

The medium-term value creation plan will only be achieved if the Group's c.10,000 strong workforce is engaged and employees feel fairly rewarded and supported during the cost of living crisis. The Committee was pleased to note that the Group's employees received, on average, a c.4% pay rise in FY23 base salaries. Kier remains an accredited Real Living Wage ('RLW') employer and in January 2023, c.850 employees received a pay increase of 10.1% following the increase in the RLW rate. I can confirm that the RLW now extends to contingent workers. Highlights in respect of key employee reward and benefits initiatives during the year included:

- Cost of living payments of £300 were made in November 2022 to c.800 of the Group's employees who we believed were most challenged with the high increases in food, energy and household bills.
- Enhancements made to life assurance, sick pay and annual leave entitlements with over 4,500 individual improvements made to employee terms and conditions across the Group. It is the first step in the wider alignment of employee benefits.
- Promotion of shopping discounts which in FY23 saved employees £260,000. Also in FY23, additional benefits were introduced which enabled the cost of purchasing white goods and services to be spread over 12 months.
- Introduction of new benefits to employees that could provide support and solutions to manage immediate financial stresses, including access to loans and other financial products through a specialist provider. Access to free mortgage advice for all employees and their families was also introduced.

Through the Reward & Employee Benefits Forum, I was able to discuss with employees from across the business, including the employee networks, how the benefits available can make a real difference to employees and their families, and where the opportunities are to further review and improve the range of benefits, and to drive engagement with them.

Shareholder experience

When making remuneration decisions, the Committee takes account of the shareholder experience. As already mentioned, the 2023 LTIP award will use a grant price that is the higher of the 2021 capital raise issue price (85p) or the three-month average share price leading up to the date of grant. Vesting will be satisfied by market purchased shares.

Directors' remuneration policy

In line with the normal three-year cycle, a new Directors' remuneration policy ('2023 Policy') will be subject to a shareholder vote at the 2023 AGM. During the year the Committee spent a significant amount of time reviewing the policy to ensure it would be able to attract, retain, and incentivise the required calibre of executive directors to deliver our ambitious plan in what continues to be a highly competitive market for senior talent. The Committee noted the small turnover in the Executive Committee members during the year.

Since 2020 Executive Director pension contributions have aligned with workforce rates, a two-year post-vesting holding period applies to vested LTIP awards and a 200% shareholding requirement for both the Chief Executive and Chief Financial Officer that extends two years post-employment has been in place. The 2023 Policy will continue to include these best practice features.
For consistency, the Committee assessed the Chief Executive and the Chief Financial Officer pay competitiveness against the same tailored peer group of companies as when the Chief Executive base salary was reviewed in 2021. The median maximum bonus in this peer group is 150% and 145% of salary for the Chief Executive and Chief Financial Officer respectively. The Committee was also provided independent pay data that showed those companies with revenues similar to the Group, for which the bonus opportunity was also 150% of salary for both the Chief Executive and Chief Financial Officer. Both reference points along with the fact that there has been no change in bonus opportunity since 2017 informed the Committee's decision to increase the bonus opportunity from 125% to 150% of salary as part of 2023 Policy.

In return for the increase in bonus opportunity, shareholders rightly expect the FY24 annual bonus target to be commensurately more stretching and I provide more detail on the FY24 targets in the Looking Forward – FY24 section below and on page 126.

The Committee strongly believes that the tailored peer group should also be a primary reference point for policy features, including those that are less favourable to management. When reviewing the data, the Committee noted bonus deferral in the tailored peer group was 40% at median, whereas in general industry (and current policy) it is 33%. Consequently, the Committee considered it appropriate to increase the deferral to 40% until the shareholding guideline has been achieved (at which it would revert to 33%), recognising good progress has been made to achieving this metric as shown on pages 135 and 136. There is a mandatory three-year deferral period. The 2023 Policy also includes a reduction in the weighting on non-financial objectives from 25% to 20% for the annual bonus.

The normal annual LTIP grant level was always considered as 175% of base salary and for the avoidance of doubt there is no change to the normal grant level or maximum of 200% of base salary.
As a consequence of this clarification the requirement to disclose reasons for an award above 150% will be removed from the 2023 Policy. It was noted that the current policy refers to LTIP awards typically vesting on the third anniversary of grant, rather than specifically being subject to a performance period of no less than three years. It has never been the intention of the Committee that LTIP awards would be subject to anything less than a three-year performance period as demonstrated by all previous LTIP awards being subject to performance over three financial years. I can confirm that the 2023 Policy makes this commitment explicit.

As a strategic supplier to the UK Government, environmental, social and governance ('ESG') matters are fundamental to the ability to win work and secure positions on long-term frameworks. UK Government contracts above £5m require net zero carbon and social value commitments. The Group has developed and published a net zero carbon milestone plan that it believes will support the decarbonisation of the economy in a socially just and inclusive way. We have set out the Group's pathway to become net zero carbon for business operations (scope 1 & 2) by 2039 and value chain (scope 3) by 2045, together with interim targets. Shareholders broadly welcomed the proposed introduction of an ESG metric for the 2023 LTIP award.

The Directors' remuneration policy can be found on pages 144 to 153.

FY23 outcomes

Annual bonus

The FY23 annual bonus targets related to adjusted operating profit (AOP), operating free cash flow (FCF), health and safety and personal objectives. At the time the targets were set, the Committee considered the medium-term value creation plan and analyst consensus such that maximum payment can only occur for outperformance of consensus.

– The AOP target had a threshold of £120.5m, on-target of £128.3m which was aligned with consensus and maximum of £133.3m which was above consensus at the time the target was set. AOP achieved was £131.5m but having reviewed the underlying operating adjusting items the Committee used a lower figure of £131.1m to determine pay-out which was 78% of maximum for this element.
– The operating FCF target had a threshold of £102.6m, target of £115.5m and maximum £121.9m. Actual operating FCF was significantly ahead of the Board's expectations at £170.6m as a result of revenue growth in Infrastructure Services and Construction which converted to increased profitability and cash. In addition, the Group experienced a seasonal working capital inflow of £80.3m, predominantly driven by Construction. The Committee considered the formulaic outcome a fair representation of underlying performance and pay-out was determined as 100% of maximum.
– The Committee purposefully simplified the health and safety target for FY23 by using a single performance measure – the Group's Accident Incident Rate. Starting from a baseline significantly below the Health and Safety Executive benchmark, threshold required a 5% reduction versus FY22 and a 10% reduction for maximum. The outcome was a 23% reduction and thus 100% of the health and safety metric paid out.
– The personal objectives for the Executive Directors included climate improvements through carbon reduction, driving an increase to employee engagement and improvements to average net debt and spot debt/cash positions. The Committee reviewed the extent to which the Executive Directors had satisfied their personal objectives and awarded 100% of the maximum opportunity of this element.

In light of the business and stakeholder context set out above, the Committee believes the bonus outcome of 91.2% of maximum is fair and appropriate, and no further discretion was exercised in relation to the formulaic outcome. FY23 bonuses will be delivered two thirds in cash and one third will be awarded in shares which will not be released until a three-year holding period is complete.

Further detail on the FY23 annual bonus outcome including detail on personal objectives can be found on pages 131 and 132.

2020 LTIP award

The targets for the 2020 LTIP award were AOP, total shareholder return ('TSR') and net debt:EBITDA. Targets were set shortly after the Group had reported AOP of £41.4m and significant net debt.

The targets demanded significant improvement in AOP by FY23 of at least £120.7m, improvement in net debt:EBITDA to at least 2.86:1 and Kier's TSR to outperform a comparator group of peers.

Actual AOP performance in FY23 was £131.5m resulting in 58.6% of this element vesting. Net debt:EBITDA was 0.58:1 and 100% of this element vested. The TSR element did not achieve threshold and so this element vested at 0%.

When considering the vesting outcomes, the Committee recognised that the targets were set during the implementation of the new strategy, and amidst the uncertainty caused by the Covid pandemic. Significant improvements have been made to the Group's financial position during the three-year performance period including improved profitability with lower adjusting items; and an improvement in the underlying cash generation of the business resulting in reduced average net debt, the repayment of the supply chain finance facility ('KEPs' and reduced leverage.

The Committee considered the grant price of the 2020 LTIP award (78.3p) and the current share price and also noted that the award was reduced from 175% to 130% of base salary at grant to take into account the performance of the share price preceding the grant. It was satisfied that no adjustments were required for windfall gains.

Consequently, the 2020 LTIP award vested at 54.3% of maximum opportunity which the Committee considered to be a fair representation of management performance over the period. The net shares vesting will be subject to a two-year holding period before being made available to the Executive Directors. Further detail on the 2020 LTIP award can be found on page 133.

Looking forward – FY24

Base salary

The Committee decided that the Chief Executive and Chief Financial Officer would receive a salary increase of 4.5%, which is lower than the c.5% increase for the majority of the wider workforce. The base salary for the Chief Executive will be effective from 1 November 2023 consistent with the commitment made in 2021 that it would not increase within the expiring policy period. The increase for the Chief Financial Officer will be effective from the normal review date of 1 October 2023.

Pension

The pension contributions for the Executive Directors in FY24 will remain at 7.5% of their respective base salaries, which is aligned with Company pension contributions made available to the wider workforce.

Annual bonus

Subject to approval of the 2023 Policy at the 2023 AGM, the maximum bonus opportunity for the Chief Executive and Chief Financial Officer will be 150% of base salary and the mandatory deferral into shares for three years will increase from 33% to 40% of any net bonus paid until the shareholding guideline has been achieved.

The FY24 bonus targets will continue to be based on AOP (40%), Group health and safety (10%) and personal objectives (10%). Average month end net debt (40%) will replace operating free cash flow to remove duplication with LTIP metrics and in direct response to several shareholders who, like the Board, consider it fundamental to the business and the medium-term value creation plan.

The Committee is focused on setting appropriately stretching objectives to justify and warrant the additional opportunity and although the Committee does not intend to publish the targets prospectively due to their sensitive nature, I can confirm that the Committee has set the threshold for adjusted operating profit above actual performance in 2023. The Committee also intends to stretch the target such that not only will it require accelerated delivery of the medium-term value creation plan, recognising the shorter target timeline, to achieve the maximum of 125%, the higher maximum opportunity of 150% will only pay out for further incremental improvement. Full details of the performance targets will be provided in the 2024 Directors' remuneration report.

On 4 September 2023, the Group announced that it had agreed to acquire substantially all the rail assets from Buckingham Group Contracting Limited. The proximity of the acquisition to FY24 targets being approved and the complicated nature of the assets being acquired meant that the full impact of the acquisition on business forecasts has yet to be determined. Therefore the Committee approved the already stretching FY24 targets for annual bonus and LTIP subject to it having discretion to adjust future performance outcomes to exclude the acquisition and/or to adjust targets once the implications have been fully reviewed and the acquisition has completed. Should any such adjustments be made they will be reported at the relevant time.

More detail on the Committee's approach to metric selection and target setting can be found on page 126.

LTIP awards

The Committee has determined that the Chief Executive and Chief Financial Officer will be granted LTIP awards at the normal annual grant level of 175% of base salary.

The 2023 LTIP grant will use a grant price that is the higher of the 2021 capital raise issue price (85p) or the three-month average share price leading up to the date of grant. The performance conditions will relate to EPS (40%), TSR outperformance (25%), operating FCF (25%) and reductions in the Group's scope 1 & 2 carbon emissions (10%).

Chairman fee

During the year the Committee reviewed the Chairman's fee and approved an increase to £253,000 (FY23: £235,000) effective 1 October 2023. Although a matter reserved for the Chairman and Executive Directors, in recognition of the additional time commitment associated with the role, they approved an increase in the additional fee payable for the Chair of the Remuneration Committee from £12,000 to £20,000 p.a. effective from the date of my appointment. I can confirm that there will be no other increase in the total fees payable to the Non-Executive Directors as set out on page 142.

As Committee Chair, I would like to reiterate my appreciation to those shareholders who provided feedback and I hope the direct response of the Committee to the feedback is sufficient to receive your support for the 2023 Policy and the 2023 Directors' remuneration report at the AGM in November.

Margaret Hassall
Chair of the Remuneration Committee

Remuneration at a glance

Approach to remuneration at Kier

Align with strategy and incentivise and reward performance:
Over two-thirds of the Executive Directors' maximum remuneration opportunity is variable and relates to the Group's performance against its strategic priorities.

Align Executive Directors' interests with those of shareholders:
Approximately half of the Executive Directors' maximum remuneration opportunity is satisfied in shares and the Executive Directors are encouraged to build up shareholdings in the Company of at least two years' base salary over a period of up to five years.

Support the delivery of the Group's strategy and promote its long-term success:
To achieve this aim, the Group needs to attract and retain talented management. The Committee therefore considers practices in comparable businesses so as to ensure that remuneration at Kier remains competitive, enabling it to attract and retain talented individuals, but without paying more than is necessary.

Remuneration framework

There are three elements to the framework for the Executive Directors' remuneration:

Fixed element

Comprises base salary, taxable benefits (private health insurance and a company car or car allowance) and pension contributions.

Short-term element

An annual bonus, which incentivises and rewards the delivery of a balanced selection of financial and non-financial targets in a financial year, with payments being satisfied in cash (two-thirds), which are subject to clawback, and shares (one-third), which are deferred for three years and subject to malus.

Long-term element

The LTIP incentivises financial performance over a three-year period, promoting long-term sustainable value creation for shareholders. Vested shares have a two-year holding period and are subject to clawback.

Strategic alignment of remuneration

For the Executive Directors' and senior management, a significant part of their total remuneration opportunity should be performance related, and those performance targets should be directly connected to the delivery of the Group's strategy and long-term returns. The following table illustrates how that is achieved:

Strategic actions

Disciplined growth	Consistent delivery	Generate cash

Medium-term value creation plan

Annual revenue c.£4.0bn–£4.5bn	Adjusted operating margin c.3.5%	Cash flow conversion of operating profit c.90%	Balance sheet: sustainable net cash position with capacity to invest	Sustainable dividend policy: c.3x earnings cover through the cycle

How strategy links to remuneration

Annual bonus targets for FY24

Adjusted operating profit	Average month end net debt	Health, safety & wellbeing	Personal objectives
40%	40%	10%	10%

LTIP performance conditions for FY24

Group adjusted earnings per share	Group free cash flow	Total shareholder return	Carbon emissions reduction
40%	25%	25%	10%

Approach to target setting and determining incentive outcomes

In setting targets and assessing performance the following process is adopted by the Committee:

Set performance measures aligned with strategy, budget and long-term forecasts

The Committee reviewed and selected incentive performance measures for FY23 that were fully aligned to the business strategy and the annual budget as approved by the Board.

FY23 annual bonus
- The 2023 annual bonus metrics included Group adjusted operating profit and free cash flow (both with a 40% weighting), Accident Incident Rate (AIR) weighted 10% and the Executive Directors had several personal objectives also weighted at 10%
- The adjusted operating profit target was also subject to a maximum level of adjusting items for the financial year as determined by the Committee. Any operational adjusting items above the maximum would be deducted from the Group adjusted operating profit on a pound-for-pound basis in determining the target's achievement. Free cash flow was subject to a performance requirement (an 'underpin') of actual average net debt for the financial year. In the event the average debt underpin was exceeded, the achievement of this target would be nil

2020 LTIP
- The 2020 LTIP vested based on performance in the three financial years ending 30 June 2023. Metrics included Adjusted operating profit (50% weighting), Net Debt: EBITDA (25%) and Total Shareholder Return (25%)
- When the Committee selected performance metrics in 2020, improvements in profitability and net debt were of primary importance and consequently the Committee set targets based on long-term improvements in these key areas
- At the time targets were set, adjusted operating profit was £41.4m (FY20) whereas the Group has just reported adjusted operating profit of £131.5m (FY23). Average net debt has also reduced significantly from £436m (FY20) to £232m (FY23) with a significant reduction in debt-like items over the period

Set stretching targets

In setting stretching performance targets the Committee considered a range of influencing factors that included the medium-term value creation plan, the annual budget, analysts' forecasts (consensus), economic conditions including the ongoing impact of the high inflationary environment and generally challenging trading conditions, individuals' areas of responsibilities and the Committee's expectations over the relevant period. A significant outperformance by the Executive Directors is required to achieve the maximum. The targets set for the FY23 annual bonus and the 2020 LTIP and a summary of performance against them is provided on pages 131 to 133.

Notwithstanding stretching targets set at the outset, the Committee will also consider the application of discretion at the end of the performance period if relevant (and this is set out in the remuneration policy).

Assess performance

A summary of FY23 bonus and LTIP performance is set out in the Chair's statement on pages 123 and 124.

Take account of wider circumstances

The Committee believes that the range of measures used to assess performance of the annual bonus and LTIP ensures that performance is assessed using a balanced approach, that is fully aligned with the business strategy. The Committee also considers the wider workforce remuneration and policies when making decisions on executive remuneration. Given the performance noted above and wider operational achievements, and after considering the potential for windfall gains arising on the LTIP vesting, the Committee is satisfied that the FY23 annual bonus and LTIP outcomes represent a fair reward for performance delivered.

Apply discretion if required

Depending on the circumstances, the Committee may exercise judgement in assessing performance and determining the level of achievement. The Committee has full discretion to override formulaic outcomes. Deferred shares and unvested LTIP awards will be subject to a 'malus' provision during the three-year deferral period and the three-year performance period prior to vesting, respectively. This allows the Committee to apply a reduction in certain circumstances including a material misstatement of the Group's financial statements, a material error in determining the satisfaction of a performance condition, a participant deliberately misleading the Company, the market and/or shareholders, material reputational damage to the Group, gross misconduct and any other circumstances similar in nature. Clawback applies to the cash element of the annual bonus and the two-year post-vesting holding period which applies to LTIP awards. The circumstances in which clawback apply are the same (or substantially the same) as for malus. The Committee has the right to apply the malus and clawback on an individual or on a collective basis.

Summary of the Executive Directors' FY23 remuneration outcome

Summary of the Executive Directors' FY23 remuneration outcome:

Andrew Davies (£s)

01 **£821,000** Salary, benefits and pension
02 **£855,000** Bonus
03 **£477,000** LTIP

Simon Kesterton (£s)

01 **£573,000** Salary, benefits and pension
02 **£597,000** Bonus
03 **£388,000** LTIP

Summary of the Executive Directors' maximum FY24 remuneration

Element	Chief Executive	Chief Financial Officer
Base salary	£783,750[1]	£547,617[2]
Pension	7.5% of salary	
Benefits	Private health insurance and a company car or car allowance	
Bonus	150% of salary	
Bonus measures[3,4]	Expected to include adjusted operating profit (40%), average month end net debt (40%), the Group's safety performance (10%) and personal objectives (10%), with a maximum of 20% of the opportunity relating to non-financial measures	
Deferred Shares[4,5]	33% of any net payment is in deferred shares which are held for three years. If the share ownership guideline has not been achieved then the net payment subject to deferral is 40%	
LTIP	175% of salary	
LTIP performance conditions[3,4]	Awards will be subject to the Group's performance over a three-year period to 30 June 2026 with performance measures expected to be: 40% Adjusted Earnings Per Share 25% Free Cash Flow 25% Total Shareholder Return 10% ESG – Carbon Emissions	
Holding period	Any vested LTIP shares must be held for two years after vesting (after payment of tax)	
Malus and clawback	Clawback will apply to any cash bonuses paid and to the post-vesting holding period for any LTIP shares. Malus will apply to any deferred shares (in the three-year deferral period) and LTIP awards (prior to vesting)	

1. With effect from 1 November 2023.
2. With effect from 1 October 2023.
3. The actual bonus targets (and performance against them) and details of the LTIP awards will be disclosed in the 2024 Annual Report.
4. Subject to approval of the 2023 Policy at the 2023 Annual General Meeting.
5. Increased from 33% to 40% of net bonus annual payment until the 200% share ownership guideline achieved.

Employee benefits

FY23 Workforce remuneration

	All Employees	Executive Directors
Salary	Pay review boundaries approved by Remuneration Committee	Increases typically in line with average awarded to the wider employee population
Bonus	800 employees eligible for a bonus Maximum opportunity: 80% of base salary FY23 Group targets: Profit, Cash Flow, Health & Safety	FY23 Maximum opportunity: 125% of base salary FY23 Group targets: Profit, Cash Flow, Health & Safety, Personal Objectives
Deferred Bonus shares	Executive Committee: 25% of net bonus deferred for 3 years	33% of net bonus deferred for 3 years
Long-Term Incentive Plan	Awarded to leadership and strategic managers Maximum award: 100% of base salary 3-year performance period Targets: Earnings Per Share, Shareholder Return, Cash Flow	Maximum award: 200% of base salary 3-year performance period, 2-year holding period Targets: Earnings Per Share, Shareholder Return, Cash Flow
Pension	7.5% matched employer pension contributions for majority of employees	7.5% employer pension contributions or cash allowance
Sharesave	Maximum contributions: £6,000 p.a. 3-year saving period	Maximum contributions: £6,000 p.a. 3-year saving period
Share Incentive Plan	Maximum contributions: £1,800 p.a. Group funded matching shares provided on 1:2 basis	Maximum contributions: £1,800 p.a. Group funded matching shares provided on 1:2 basis

Employee benefits

Providing employees with a range of employee benefits and support is critical to the Group attracting and retaining a diverse and motivated workforce. In addition, for FY23 there was a focus on providing new benefits to employees with an emphasis on assisting with cost of living pressures. The new benefits and enhanced policies introduced during the financial year included:

- All employees benefitted from an enhanced level of life assurance cover of 4x salary.
- C.2,500 employees received an increase in sick pay entitlement with statutory sick pay replaced with full pay for up to 20 days and half pay for a further 20 days.
- Over 1,000 employees received an enhancement to their annual leave entitlement and further phased uplifts are planned to ensure alignment across the Group.
- The Group is accredited as a Real Living Wage employer and c.850 employees received a pay increase in January 2023 when the RLW rate increased by 10.1%. Real Living Wage was also applied to contingent workers with effect from 1 July 2022 and subcontractors from 1 April 2023.

New benefits were made available to employees to assist with wellbeing and the cost of living pressures:

- access to loans through a specialist provider with a higher acceptance rate and lower interest rates than that of traditional lenders.
- spreading the cost of purchasing tech and white goods, and car repairs and maintenance, through repayments taken from salary.

Reward & Employee Benefits Forum (the 'Forum')

The Reward & Employee Benefits Forum has representatives from across the Group's UK business areas and the Group's inclusivity networks. It provides a platform to discuss a range of employee reward and benefits topics in the context of attracting, developing and retaining our people. The Forum has considered some of the key benefits available to employees including those that provide valuable savings on everyday family spend, mental and physical health focused support and Kier's pension scheme.

The Committee Chair and the Chief People Officer attend the meetings and the Forum recently discussed how the Executive Directors' remuneration arrangements are determined, the context and alignment with the pay and benefits of the wider workforce, the role of the Non-Executive Directors and the Remuneration Committee, and the 2023 Policy.
The Chair updated the Committee on the outcome of the meeting and the feedback received.

Summary of the changes proposed to the Remuneration Policy

The Committee believes that whilst no significant structural changes are required to the Policy at this time, it is important that the Policy continues to attract, retain, and incentivise the required calibre of executive directors to deliver the medium-term value creation plan and secure long-term success, whilst being sensitive to stakeholders' views on executive pay. The 2023 Policy, which is set out on pages 144 to 153 (inclusive), will take effect from the conclusion of the 2023 AGM (subject to shareholder approval). The Committee is proposing that the changes to the annual bonus opportunity and LTIP grant level will apply to the awards made in FY24. A summary of the changes to the 2020 Policy are set out below.

Element	Change to 2020 Policy	Rationale
Annual bonus	The maximum potential bonus increases from 125% to 150% of base salary.	**Increase in opportunity:** For consistency the Committee assessed Chief Executive and Chief Financial Officer pay competitiveness against the same tailored peer group of companies as when the Chief Executive base salary was reviewed in 2021. The median maximum bonus in this peer group is 150% and 145% of salary for the CEO and CFO respectively. The Committee was also provided independent pay data that showed in companies with revenues similar to Kier, the bonus opportunity was also 150% of salary for both CEO and CFO. Both reference points along with the fact that there has been no change in bonus opportunity since 2017 informed the Committee's decision to increase the bonus opportunity from 125% to 150% of salary as part of the 2023 Policy.
	The maximum weighting towards non-financial measures is reduced from 25% to 20% of the maximum potential bonus.	**Non-financial measures:** The reduction in the weighting of non-financial objectives provides the Committee flexibility to ensure participants focus on the delivery of core, stretching financial objectives critical to the delivery of the medium-term value creation plan.
	The deferral allocation of any net payment into shares increases from 33% to 40% until the Executive Directors' share ownership guideline is achieved.	**Increase to deferral:** The Committee strongly believe that the tailored peer group should also be a primary reference point for policy features, including those that are less favourable to management. When reviewing the data, the Committee noted bonus deferral in the tailored peer group was 40% at median, whereas in general industry (and current policy) it is 33%. Consequently, the Committee considered it appropriate to increase the deferral to 40% until the shareholding guideline had been achieved.
LTIP awards	Clarification that LTIP awards made under the policy are subject to a three-year performance period.	**Performance period clarification:** It was noted that current policy refers to LTIP awards typically vesting on the third anniversary of grant, rather than specifically being subject to a performance period of no less than three years. It has never been the intention of the Committee that LTIP awards would be subject to anything less than a three-year performance period as demonstrated by all previous LTIP awards being subject to performance over three financial years. The 2023 Policy makes this commitment explicit.
	Clarification that the normal annual grant level is 175% of base salary and the maximum award level of 200% shall remain and continue to be only used in exceptional circumstances.	**Normal annual LTIP grant level:** Throughout the life of the current policy, LTIP grant levels have ranged between 130% and 200% of salary. The Committee has previously sought to strike the right balance between providing management a meaningful incentive and the share price at award. The normal LTIP grant level was always considered as 175% and for the avoidance of doubt there is no change to the normal grant level or maximum of 200%. As a consequence of this clarification the requirement to disclose reasons for a grant above 150% will be removed from the 2023 Policy.
	Inclusion of an ESG-related performance measure.	**Introduction of an ESG measure:** Aligned with the Group's commitment to a pathway to net zero carbon, the Committee believes it appropriate to introduce an ESG measure that is relevant, quantifiable and science-based.

Annual report on remuneration

Directors' remuneration for the 2023 financial year – audited

The following table provides details of the Directors' remuneration for the 2023 financial year, together with their remuneration for the 2022 financial year, in each case before deductions for income tax and national insurance contributions (where relevant):

	Fixed Pay								Variable Pay								Total	
	Salary/fee (£000)		Taxable benefits[1] (£000)		Pension[2] (£000)		Total fixed pay (£000)		Bonus (£000)		LTIP Vesting (£000)		Share Schemes (£000)[5]		Total variable pay (£000)		Total (£000)	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**[3]	2022[4]	**2023**	2022	**2023**	2022	**2023**	2022
Executive Directors																		
Andrew Davies	**750**	750	**15**	15	**56**	56	**821**	821	**855**	739	**477**	559	**–**	–	**1,332**	1,298	**2,153**	2,119
Simon Kesterton	**519**	499	**15**	15	**39**	37	**573**	551	**597**	496	**388**	390	**–**	–	**985**	886	**1,558**	1,437
Non-Executive Directors																		
Alison Atkinson	**69**	67	**–**	–	**–**	–	**69**	67	**–**	–	**–**	–	**–**	–	**–**		**69**	67
Justin Atkinson	**69**	67	**–**	–	**–**	–	**69**	67	**–**	–	**–**	–	**–**	–	**–**		**69**	67
Chris Browne[6]	**48**	–	**–**	–	**–**	–	**48**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48**	–
Margaret Hassall[7]	**19**	–	**–**	–	**–**	–	**19**	–	**–**	–	**–**	–	**–**	–	**–**	–	**19**	–
Matthew Lester	**235**	235	**–**	–	**–**	–	**235**	235	**–**	–	**–**	–	**–**	–	**–**		**235**	235
Dame Heather Rabbatts[8]	**52**	67	**–**	–	**–**	–	**52**	67	**–**	–	**–**	–	**–**	–	**–**		**52**	67
Clive Watson	**69**	67	**–**	–	**–**	–	**69**	67	**–**	–	**–**	–	**–**	–	**–**		**69**	67
Total	**1,830**	1,752	**30**	30	**95**	93	**1,955**	1,875	**1,452**	1,235	**865**	949	**–**	–	**2,317**	2,184	**4,272**	4,059

1. Comprises private health insurance and a company car or a car allowance.
2. Comprises the payment of employer pension contributions and/or a cash allowance.
3. The award granted in 2020 will vest at 54.3%. The value is calculated using the Company's average share price for the three-month period ended 30 June 2023 of £0.76.
4. The figures in this column have been restated, as compared to those included in the 2022 Annual Report, to reflect the Company's share price on the vesting date for the 2019 LTIP award of £0.62. The figures in the relevant 2022 totals columns also reflect this restatement.
5. The value of the matching shares purchased under the Share Incentive Plan (SIP).
6. Chris Browne joined the Board on 15 September 2022.
7. Margaret Hassall joined the Board on 5 April 2023.
8. Dame Heather Rabbatts resigned from the Board on 30 March 2023.

All figures in the above table have been rounded to the nearest £1,000.

Pension entitlements – audited

The Executive Directors are eligible to participate in the Kier Retirement Savings Plan, a defined contribution plan. The employer pension contributions are aligned with those made available to the majority of the workforce. The contributions payable to the Executive Directors are subject to the annual allowance, with the balance being payable as a cash allowance. Cash allowances are subject to tax and national insurance deductions and are excluded when determining annual bonus and long-term incentive arrangements.

The pension contributions paid on behalf of, and the cash allowances paid to, the Executive Directors in respect of the 2023 financial year were:

Director	Employer pension contribution	Pension contribution	Cash allowance	Total
Andrew Davies	7.5%	–	£56,250	£56,250
Simon Kesterton	7.5%	–	£38,925	£38,925

Annual bonus – 2023 financial year – audited

In 2023, the Executive Directors were assessed against stretching financial and non-financial targets which included Group adjusted operating profit, Group year-end free cash flow, reduction in the Group's Accident Incident Rate, and a number of personal objectives. In setting the performance targets, the Committee considered a range of internal and external reference points, including the Group's medium-term value creation plan and analyst consensus to reflect market expectations, where available.

The Board set management a challenging 2023 financial year budget that required an 11.5% improvement in adjusted operating profit compared with FY22 and in the context of a continued challenging operating environment. Payment of the maximum bonus required outperformance of the analysts consensus available at the time the targets were set.

Bonus outcomes for the Executive Directors in respect of the 2023 financial year, in each case before deductions for income tax and national insurance, were:

Financial performance (aggregate weighting: 80%)

Target	Opportunity	Threshold target[1]	On target[1]	Stretch target[1]	Actual performance[2]	Actual performance as a % of opportunity
Group adjusted operating profit[3]	40%	£120.5m	£128.3m	£133.3m	£131.1m	78%
Group year-end free cash flow[4]	40%	£102.6m	£115.5m	£121.9m	£170.6m	100%

1. Bonus payment opportunity was 0% for threshold performance, 50% for on target performance and 100% for stretch target performance.
2. The AOP actual performance was reduced by £0.4m from £131.5m to reflect a deduction related to adjusting items – see note 3.
3. Opportunity was subject to a maximum level of adjusting items for the financial year as determined by the Committee (in consultation with RMAC). Any operational adjusting items above the maximum would be deducted from the Group adjusted operating profit on a pound-for-pound basis in determining the target's achievement.
4. Opportunity was subject to a performance requirement (an 'underpin') of actual average net debt for the financial year of £(259.9)m. In the event the average debt underpin was exceeded, the achievement of this target would be nil.

Non-financial performance (aggregate weighting: 20%)

Health, Safety & Wellbeing (maximum opportunity: 10%)

Target	Opportunity	Lower threshold[1]	Upper threshold[1]	Actual performance	Actual performance as a % of opportunity
Reduction in the Group's Accident Incident Rate[2]	10%	-5%	-10%	-23%	100%

1. Bonus payment opportunity was 50% for lower threshold performance and 100% upper threshold performance.
2. Position at end of the 2023 financial year compared to the end of the 2022 financial year.

Personal objectives (maximum opportunity: 10%)

A maximum of 10% of the total bonus opportunity related to the satisfaction of personal objectives as determined by the Committee. The Committee assessed performance against those objectives as follows:

	Strategic priority	Summary of objectives set	Summary of performance achieved	Determination
Andrew Davies Simon Kesterton	Performance Excellence	– Drive improvements in employee engagement	– Improved scores in employee engagement surveys from 58% to 65% in FY23. – Group-wide Culture programme launched with over 480 employees initially participating. Very positive feedback and engagement.	Fully achieved
	Working capital	– Improvements to average net debt and spot debt/cash positions	– The Group's net cash position at 30 June 2023 was £64.1m, an improvement of £61.2m compared to £2.9m as at 30 June 2022. Average net debt at FY23 is £232m, and whilst higher than the prior year, was lower than budget and significantly lower than the bonus underpin of £259.9m.	Fully achieved
	ESG	– Climate improvements through carbon reduction	– 19.6% decrease in carbon intensity achieved compared with the previous year. Total emissions from our business operations carbon for the year was 31,668 tCO_2e which equates to 9.7 tonnes per £m revenue. – Quarterly and year end targets achieved in line with pathway to net zero in each business and at Group level.	Fully achieved

Total outcome of annual bonus

Director	Bonus payable as % of opportunity	Opportunity as % of salary	Bonus payable as % of salary	Total bonus
Andrew Davies	91.2%	125%	114%	£855,000
Simon Kesterton	91.2%	125%	114%	£597,400

After significant assessment, the Committee was satisfied that the formulaic outcome was fair and appropriate including a reduction in the AOP outcome due to the operation of the limit on adjusting items. No adjustments were therefore made to the bonus targets and no discretion was exercised in relation to the outcome. In accordance with the approved Remuneration Policy, 33% of the total net bonus payments will be satisfied by an allocation of shares with legal ownership deferred for three years (subject to early release for 'good leavers' and upon a change of control).

LTIP awards – performance period ended 30 June 2023 – audited

The three-year performance period of the LTIP awards granted in 2020 ended on 30 June 2023. Performance against the performance conditions of those awards was as follows:

Performance Conditions	Weighting	Targets	Actual performance	Level of vesting as % of target[1]	Level of vesting as % of opportunity
Adjusted Operating Profit[2]	50%	0% vesting if AOP is less than £120.7m 25% vesting if AOP is equal to £120.7m 100% vesting if AOP is £144.8m Straight-line vesting between these points	£131.5m	58.6%	29.3%
Total Shareholder Return[3]	25%	0% vesting for performance below median constituent of the comparator group 25% vesting for performance in line with median constituent of the comparator group 100% vesting for performance equal to or outperforms the upper quartile of the comparator group Straight-line vesting between these points	Below Threshold	0%	0%
Net Debt:EBITDA[4]	25%	0% vesting for net debt:EBITDA greater than 2.86:1 25% vesting if net debt:EBITDA is equal to 2.86:1 100% vesting if net debt:EBITDA is 1.84:1 or lower Straight-line vesting between these points	0.58:1	100%	25%
Total					54.3%

1. Expressed as a percentage of maximum opportunity.
2. For the financial year ended 30 June 2023.
3. Against a comparator group of FTSE 250 Index excluding investment trusts.
4. Target measured by reference to the average (mean) of (i) the Group's net debt/cash position as at 31 December 2020, 30 June 2021, 31 December 2021, 30 June 2022, 31 December 2022 and 30 June 2023 and (ii) the Group's EBITDA for each of the 2021, 2022 and 2023 financial years.

The Committee reviewed the outcome of the LTIP, as well as overall levels of remuneration to ensure that they remain consistent with the overarching performance of the business and are in line with both colleague and shareholder experience and that there were no windfall gains. The Committee determined that this was the case and decided not to make any adjustments to the vesting level. The Committee also noted that the 2020 LTIP award was reduced from 175% to 130% of base salary at grant to take into account share price performance preceding grant.

The vesting of these awards will result in the allocation of the following number of shares:

Director	Maximum number of shares	Number of shares vesting[1,2]	Value[3]
Andrew Davies	1,154,816	627,065	£476,569
Simon Kesterton	940,350	510,610	£388,064

1. The vesting date is 18 December 2023.
2. Gross number of shares vesting. The net number of vesting shares (after payment of tax) delivered to the Director are subject to a two-year holding period.
3. The value of an award is calculated by multiplying the number of vested shares by the Group's average share price for the three-month period ended 30 June 2023 of £0.76. The values are stated before deductions for income tax and national insurance contributions.

Incentive awards made during the 2023 financial year – audited

The following incentive awards were made to those persons who, during the 2023 financial year, served as a Director:

Award[1]	Basis of award	Director	Face value[2]	Potential award for threshold performance	Performance period	Vesting date	Difference between exercise price and face value	Performance measures
LTIP	Percentage of base salary for the year ended 30 June 2023	Andrew Davies	£1,312,500	25% of face value	1 July 2022 – 30 June 2025	21 October 2025	n/a	Awards are based 50% on adjusted EPS for financial year ending 30 June 2025, 25% on TSR performance against a comparator group and 25% on adjusted Free Cash Flow. See table below for further detail.
		Simon Kesterton	£917,061					
Deferred Shares	One-third of the net bonus for the year ended 30 June 2022	Andrew Davies	£191,152	n/a	n/a	31 October 2025	n/a	Continuous service condition (subject to malus).
		Simon Kesterton	£85,616					

1. The LTIP awards made to Andrew Davies and Simon Kesterton were 175% of base salary and were at nil cost. The LTIP awards are a contingent right to acquire ordinary shares in the Group and are subject to a two-year post vesting holding period. The deferred shares are ordinary shares in the Group and subject to a three-year deferral period.
2. For the LTIP awards, 'face value' is calculated using the market price of a share in the capital of the Company on 20 October 2022 of 61.9p. For the deferred share awards, 'face value' is calculated using the market price of a share in the capital of the Company on 28 October 2022 of 61.7p.

No persons who, during the 2023 financial year, served as a Director received awards under the Share Incentive Plan.

LTIP 2022 Grant – Performance Conditions

The performance conditions (and respective weightings) and targets for the LTIP awards which were granted during the 2023 financial year are set out in the table below. The performance period is three years and the awards will, subject to the satisfaction of the performance conditions, vest on the third anniversary of the grant date (21 October 2025). In setting the Adjusted Earnings Per Share and Adjusted Free Cash Flow targets, the Committee considered a range of internal and external reference points, including the Company's operating and strategic plans and analyst consensus to reflect market expectations. In respect of the Adjusted EPS target, reflective of progress against the Group's medium-term value creation plan, the absolute performance required to reach threshold and stretch vesting has been significantly increased compared to the 2021 LTIP award. The Committee is satisfied that the performance targets represent the right balance between incentivising management and alignment with shareholder interests.

Performance condition	Weighting	Targets
Adjusted Earnings Per Share[1]	50%	0% vesting for below 19.2p 25% vesting for 19.2p 100% vesting for 22.6p Straight-line vesting between these points
TSR outperformance[2]	25%	0% vesting for performance below median constituent of comparator group 25% vesting for performance in line with median constituent of comparator group 100% vesting for performance equal to upper quartile of comparator group Straight-line vesting between these points
Adjusted Free Cash Flow[1]	25%	0% vesting for below £120.1m 25% vesting for £120.1m 100% vesting for £142.6m or higher Straight-line vesting between these points

1. For the financial year ending 30 June 2025.
2. The comparator group comprises FTSE 250 Index excluding investment trusts.

Payments for loss of office – audited

No payments were made for loss of office during the 2023 financial year.

Payments to past Directors – audited

No payments were made to past Directors during the 2023 financial year.

Directors' shareholdings and share interests – audited

The Committee encourages the Executive Directors to build up a shareholding in the Company of at least two years' base salary, to be accumulated over a period of up to five years. Executive Directors are therefore encouraged to retain any shares allocated to them as part of the annual bonus arrangements and upon the vesting of LTIP awards until this shareholding has been reached. The Executive Directors are required to retain shares equal in value to 100% of base salary for a period of two years from the date on which employment is terminated (or if the number of shares owned at such date is less than such value, the shares then owned).

The following table sets out details, as at 30 June 2023 (or the date on which the relevant individual left the Board), of the shareholdings and share interests of those persons (together with, where relevant, the shareholdings and share interests of their connected persons) who, during the 2023 financial year, served as a Director:

	Shares held				Options held				
As at 30 June 2023	Owned outright or vested[1]	Vested but subject to a holding period[2]	Unvested and subject to performance conditions[3]	Unvested and subject to continued employment[4]	Vested but not exercised	Unvested and subject to continued employment[5]	Shareholding guideline (% of salary)	Current shareholding (% of salary)[6]	Guideline met?
Alison Atkinson	–	–	–	–	–	–	n/a	n/a	n/a
Justin Atkinson	46,096	–	–	–	–	–	n/a	n/a	n/a
Chris Browne	–	–	–	–	–	–	n/a	n/a	n/a
Andrew Davies	159,275	885,154	4,658,934	–	–	10,534	200%	104.4%	No
Margaret Hassall	–	–	–	–	–	–	n/a	n/a	n/a
Simon Kesterton	159,024	563,155	3,351,537	–	–	10,534	200%	103.4%	No
Matthew Lester	117,531	–	–	–	–	–	n/a	n/a	n/a
Dame Heather Rabbatts	–	–	–	–	–	–	n/a	n/a	n/a
Clive Watson	82,275	–	–	–	–	–	n/a	n/a	n/a

1. Comprising shares held legally or beneficially by the relevant Director or their connected persons.
2. Comprising shares allocated following the vesting of LTIP awards (after the payment of tax) and subject to a holding period, and deferred shares allocated to the relevant Director in connection with annual bonuses.
3. Comprising unvested LTIP awards.
4. Comprising matching shares purchased after 30 June 2020 (or the date that was three years prior to the date of leaving the Board, as the case may be) under the SIP. See 'Share Incentive Plan' on page 137.
5. Comprising options under the SAYE schemes. See 'Save As You Earn schemes' on page 137.
6. Calculated by reference to (i) shares owned outright or vested by the Director or his/her connected persons, (ii) deferred shares allocated in connection with annual bonuses, (iii) shares allocated following vested LTIP awards in the post-vesting holding period using the closing market price of a share in the capital of the Company on 30 June 2023 of £0.75 and (iv) the gross base salaries for the year ended 30 June 2023.

There have been no changes in the interests of the Directors (or their connected persons) in the ordinary shares in the capital of the Company since 30 June 2023.

Illustration of estimated Directors' shareholdings and share interests – unaudited

The following table (unaudited) provides an illustration of the estimated shareholdings and share interests (together with, where relevant, the shareholdings and share interests of their connected persons) for the Executive Directors following the vesting of the LTIP awards granted in 2020 and the allocation of deferred shares following the payment of the 2023 annual bonus (which take place after the publication of this Annual Report):

	Shares held[1]				Options held[1]				
	Owned outright or vested	Vested but subject to a holding period[2]	Unvested and subject to performance conditions	Unvested and subject to continued employment	Vested but not exercised	Unvested and subject to continued employment	Shareholding guideline (% of salary)	Estimated shareholding (% of salary)[3]	Guideline met?
Andrew Davies	159,275	1,416,248	3,504,118	–	–	10,534	200%	152.8%	No
Simon Kesterton	159,024	972,647	2,411,187	–	–	10,534	200%	157.1%	No

1. This table provides an unaudited estimate and is calculated on the same basis as the previous table.
2. The estimated number of shares from the vesting of the LTIP awards granted in 2020 and the allocation of shares under the payment of the 2023 annual bonus, after applying a tax rate of 47% and a taxable value using the Group's average share price for the three-month period ended 30 June 2023 of £0.76.
3. Calculated using the FY24 salary.

Deferred bonus shares

Those persons who, during the 2023 financial year, served as a Director beneficially owned, at 30 June 2023, shares in the capital of the Company as a result of awards of deferred shares:

Director	2021 award	2022 award[1]	2023 award[2]	Cumulative total 30 June 2022	Cumulative total 30 June 2023
Andrew Davies	–	109,092	309,808	109,092	418,900
Simon Kesterton	–	98,702	138,761	98,702	237,463
Date of award	n/a	29 October 2021	31 October 2022	–	–
Share price used for award[3]	n/a	108.4 pence	61.7 pence	–	–
End of holding period[4]	n/a	29 October 2024	31 October 2025	–	–

1. 33% of the net bonus payable to the Executive Directors for FY21 was allocated as deferred bonus shares.
2. 50% of the net bonus payable to the Chief Executive Officer and 33% of the net bonus payable to the Chief Financial Officer for FY22 was allocated as deferred bonus shares.
3. The market price of a share from the business day immediately prior to the date of the award.
4. Subject to early release for 'good leavers' and upon a change of control.

LTIP awards

Those persons who, during the year ended 30 June 2023, served as a Director held LTIP awards over the following maximum number of shares in the capital of the Company at 30 June 2023:

Director	2021 award[1,3]	2022 award	2023 award	Cumulative total 30 June 2022	Cumulative total 30 June 2023
Andrew Davies	1,154,816	1,383,763	2,120,355	3,739,881	4,658,934
Simon Kesterton	940,350	929,667	1,481,520	2,709,162	3,351,537
Date of award	18 December 2020	28 October 2021	21 October 2022	–	–
Share price used for award[2]	78.3 pence	108.4 pence	61.9 pence	–	–
End of performance period	30 June 2023	30 June 2024	30 June 2025	–	–

1. Adjusted to take account of the 2021 capital raise.
2. The market price of a share from the business day immediately prior to the date of the award.
3. See 'LTIP Awards – Performance Period ended 30 June 2023' on page 133 for vesting outcome.

The performance conditions for the awards granted during the 2023 financial year are set out on page 134.

Share Incentive Plan

No persons who, during the 2023 financial year, served as a Director held shares under the Share Incentive Plan at 30 June 2023.

Save As You Earn scheme

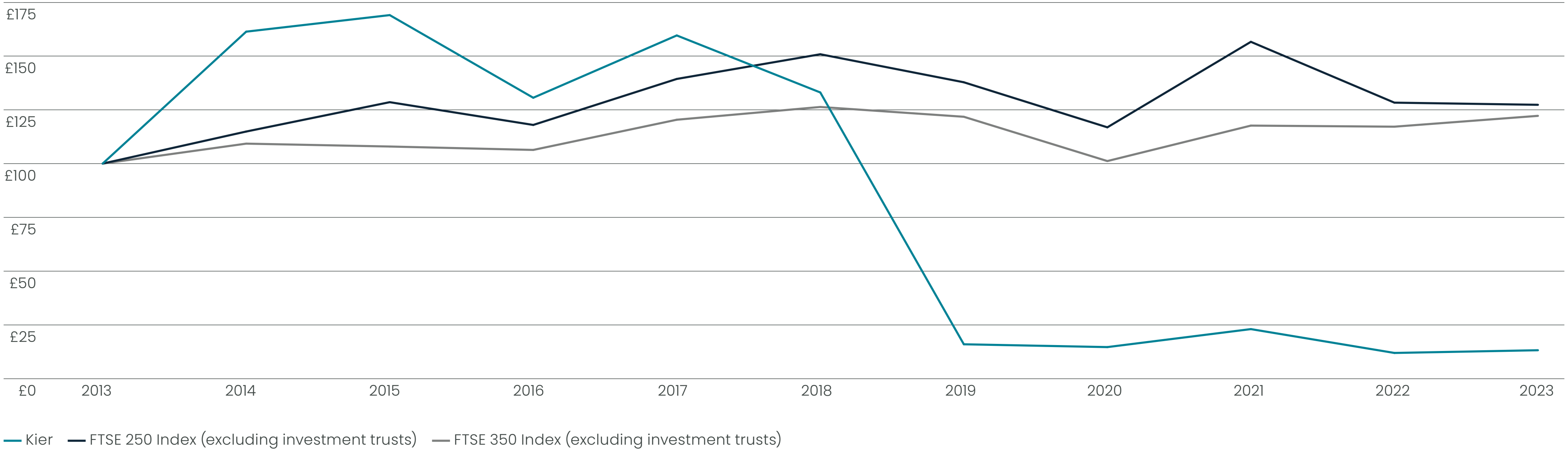
Those persons who, during the 2023 financial year, served as a Director had options under the Kier Group plc 2016 Sharesave Scheme at 30 June 2023:

Director	Date granted	Maximum number of shares receivable at 1 July 2022	Awarded during the year	Exercised during the year	Maximum number of shares receivable at 30 June 2023[1]	Exercise price	Exercise period
Andrew Davies	29 October 2021	5,625	–	–	5,625	£0.96	1 December 2024 – 31 May 2025
	2 November 2022	–	4,909	–	4,909	£0.55	1 December 2025 – 31 May 2026
Simon Kesterton	29 October 2021	5,625	–	–	5,625	£0.96	1 December 2024 – 31 May 2025
	2 November 2022	–	4,909	–	4,909	£0.55	1 December 2025 – 31 May 2026

1. Assumes that each Director continues to save at the current rate until the commencement of the exercise period.

Total shareholder return

The graph below shows the value, at 30 June 2023, of £100 invested in shares in the capital of the Company on 30 June 2013, compared with the value of £100 invested in (i) the FTSE 250 (excluding investment trusts) selected as the comparator group for the 2022 LTIP award (see page 134) and (ii) the FTSE 350 (excluding investment trusts). The LTIP comparator group was chosen because it includes companies of a similar size and complexity to the Group and the FTSE 350 was chosen to illustrate the Group's performance against a broad equity market index of the UK's leading companies. The other points plotted are the values at 30 June during the 10-year period.



Chief Executive's remuneration

The table below sets out the total remuneration of the Chief Executive paid with respect to each financial year indicated:

Chief Executive	Year	Chief Executive single figure of remuneration (£000)[1]	Annual bonus payout against maximum opportunity (%)	LTIP vesting against maximum opportunity (%)
Paul Sheffield	2014	£1,099	68%	33%
Haydn Mursell	2015	£1,079	92%	–
	2016	£1,311	90%	34%
	2017	£1,199	48%	29%
	2018	£1,459	75%	24%
	2019[2]	£423	–	–
Andrew Davies	2019[2]	£140	–	–
	2020[3]	£613	–	–
	2021	£1,323	90%	–
	2022	£2,146	78.8%	75%
	2023	£2,153	91.2%	54.3%

1. All figures are rounded to the nearest £1,000.
2. Haydn Mursell stood down as Chief Executive on 22 January 2019 and Andrew Davies was appointed with effect from 15 April 2019.
3. Includes the temporary reduction in base salary and employer pension contributions and/or a cash allowance in response to COVID-19.

Executive Directors' external appointment

Andrew Davies is a non-executive director of Chemring plc and is entitled to retain those fees.

Percentage change in Directors' remuneration

The table below shows the percentage changes in base salary or fees, taxable benefits and annual bonus of each Director in the financial year indicated, as compared to previous financial years, together with the approximate comparative average figures for those employees who were eligible for salary reviews on 1 October of each year and who were not subject to collective agreements. In respect of the 2023 financial year, this section of the employee population (comprising approximately 6,100 individuals across a number of levels) is considered to be the most appropriate group for comparison purposes, as its remuneration is controlled by the Group and is subject to similar external market forces as those that relate to the Executive Directors' remuneration. Approximately 800 employees are eligible to receive a bonus.

	Base salary/fee[1,2]			Taxable benefits[1]			Annual bonus[3]		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Executive Directors									
Andrew Davies	**0%**	26.1%	6.7%	**0%**	7.1%	7.7%	**15.7%**	10.5%	n/a
Simon Kesterton	**4%**	3.5%	8.2%	**0%**	7.1%	7.7%	**20.4%**	(18.2)%	n/a
Chairman									
Matthew Lester	**0%**	0%	4.9%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Non-Executive Directors									
Alison Atkinson	**0%**	8.1%	–%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Justin Atkinson	**0%**	8.1%	6.9%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Chris Browne	**0%**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Margaret Hassall	**0%**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Dame Heather Rabbatts	**0%**	8.1%	6.9%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Clive Watson	**0%**	8.1%	8.1%	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Other employees	**7.12%**	6.56%	4.73%	**(8.0)%**	(6.6)%	(0.57)%	**48.7%**	8.0%	n/a

1. Base salary/fee and taxable benefits as shown in the table on page 130 and the 2022 and 2021 Annual Reports.
2. Calculated on an annualised basis where base salary/fee or taxable benefits paid for part of financial year.
3. 'Other employees' percentage change calculated for employees subject to Group bonus targets.

Pay ratio of Chief Executive to average employee

The table below shows the ratio of the Chief Executive's total remuneration for the year ended 30 June 2023, using the information set out in the single total figure table on page 130, to the total remuneration of a lower quartile, median and upper quartile employee.

Year	Methodology	25th percentile pay ratio (Chief Executive:UK employees)	Median pay ratio (Chief Executive:UK employees)	75th percentile (Chief Executive:UK employees)
2023	Option B	77:1	52:1	34:1
2022	Option B	89:1	61:1	36:1
2021	Option B	50:1	36:1	22:1
2020	Option B	24:1	20:1	10:1

Further details of the remuneration of the Chief Executive in the 2023 financial year and those individuals whose remuneration in the 2023 financial year was at the median, 25th percentile and 75th percentile amongst UK-based employees are as follows:

	Chief Executive	25th percentile	Median	75th percentile
Salary	£750,000	£26,746	£38,936	£57,412
Total remuneration	£2,152,336	£27,820	£41,272	£63,255

The median, lower and upper quartile figures used to determine the above ratios were calculated by reference to the full-time equivalent, annualised remuneration of the Group's UK-based employees (comprising salary, benefits, pension, annual bonus and share-based and other incentives), based on the Group's gender pay gap data at April 2023, to determine 'best equivalents' in accordance with Option B in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Committee selected this calculation methodology as it was considered to be the most efficient method of calculating the pay ratio given it utilises pre-existing data available to Kier.

The Committee noted the change in the Chief Executive's pay ratio was primarily due an increase in both salary and total remuneration for the Group's employees in the 2023 financial year, particularly those at the median and lower quartiles. It considers that the median pay ratio for 2023 disclosed in the above table is consistent with the pay, reward and the progression opportunities available to UK-based employees across the business.

Relative importance of spend on pay

The graph below shows the percentage changes in the total employee remuneration and adjusted profit before tax between the 2022 and 2023 financial years:

Total employee remuneration
(£m)

Adjusted profit before tax
(£m)

Employee remuneration is remuneration paid to or receivable by all employees of the Group (as stated in note 8 to the 2023 consolidated financial statements on page 190). The adjusted profit before tax as stated as supplementary information in the 2023 consolidated income statement on page 166. No dividends were paid during the 2023 financial year.

Implementation of the Remuneration Policy in 2024

Executive Directors' base salary

The base salaries for the majority of the workforce are ordinarily reviewed in July with any increase effective from 1 October. The wider workforce increase for 2023/24 is c.5% but the Committee decided that increases for the Executive Directors should be lower than those of the wider workforce and so approved an increase of 4.5%. The increase for Simon Kesterton will take effect from 1 October 2023 consistent with the wider workforce and for Andrew Davies with effect from 1 November 2023 given the prior commitment that there would be no increase in base salary during the remainder of the 2020 policy period following the increase in 2021.

The base salaries of the Executive Directors for the 2024 financial year are as follows:

Director	From 1 October 2022	From 1 October 2023[1]	Percentage increase
Andrew Davies	£750,000	£783,750	4.5%
Simon Kesterton	£524,035	£547,617	4.5%

1. Base salary increase for Andrew Davies to apply with effect from 1 November 2023.

Annual bonus

Subject to approval at the 2023 AGM, the maximum bonus opportunity for the Chief Executive and Chief Financial Officer will be 150% of base salary and the mandatory deferral allocation into shares increases from 33% to 40% until the share ownership guideline is achieved.

The FY24 bonus targets will continue to be based on Group adjusted operating profit (40%), Group health and safety (10%) and personal objectives (10%). Average month end net debt (40%) will replace operating free cash flow to remove duplication with LTIP metrics and in direct response to several shareholders who, like the Board, consider it fundamental to the business and the medium-term value creation plan.

The Committee is focused on setting appropriately stretching objectives to justify and warrant the additional opportunity and although the Committee does not intend to publish the targets prospectively due to their sensitive nature, the Committee has set the threshold for adjusted operating profit above actual performance for FY23. The Committee also intends to stretch the target such that not only will it require accelerated delivery of the medium-term value creation plan, recognising the shorter target timeline, to achieve the maximum of 125%, the higher maximum opportunity of 150% will only pay out for further incremental improvement. Full details of the performance targets will be provided in the 2024 Directors' remuneration report.

LTIP awards

In the 2024 financial year, the Chief Executive and the Chief Financial Officer will be granted an LTIP award of 175% of base salary. New for 2024, is the proposed inclusion of a relevant, quantifiable and science-based performance ESG target aligned to the Group's net-zero ambitions.

The performance conditions for these awards will relate to adjusted earnings per share (40%), TSR performance (25%), adjusted free cash flow (25%) and carbon emissions reduction (10%) over the three-year period ending 30 June 2026. A two-year holding period will apply to any vested awards.

On 4 September 2023, the Group announced that it had agreed to acquire substantially all the rail assets from Buckingham Group Contracting Limited. The proximity of the acquisition to FY24 targets being approved and the complicated nature of the assets being acquired meant that the full impact of the acquisition on business forecasts has yet to be determined. Therefore the Committee approved the already stretching FY24 targets for annual bonus and LTIP subject to it having discretion to adjust future performance outcomes to exclude the acquisition and/or to adjust targets once the implications have been fully reviewed and the acquisition has completed. Should any such adjustments be made they will be reported at the relevant time.

Pension and taxable benefits

The pension contributions or cash allowances payable on behalf of or to the Executive Directors in the 2024 financial year will be:

Director	Percentage of salary
Andrew Davies	7.5%
Simon Kesterton	7.5%

The Executive Directors will also continue to receive private health insurance and either a company car or a car allowance, which will be £13,900 per annum (2023: £13,900).

Non-Executive Directors' fees

Following a benchmarking review, the Chairman's fee will increase to £253,000 (FY23: £235,000) for the 2024 financial year. This is the first increase in the Chairman's fee since 2017. No other changes to fees are proposed for FY24. The total fees payable to the Non-Executive Directors with effect from 1 October 2023 are as follows:

Director	Base fee	Chair of Board Committee fee	Senior Independent Director fee	Total fee
Alison Atkinson	£57,000	£12,000	–	£69,000
Justin Atkinson	£57,000	–	£12,000	£69,000
Chris Browne	£57,000	–	–	£57,000
Margaret Hassall[1]	£57,000	£20,000		£77,000
Matthew Lester[2]	£253,000	–	–	£253,000
Clive Watson	£57,000	£12,000	–	£69,000

1. Margaret Hassall was appointed as the Chair of Remuneration with a committee fee of £20,000 to reflect the time commitment required for the role of Chair of Remuneration Committee.
2. Matthew Lester does not receive a fee for his work as the Chair of the Nomination Committee.

Annual evaluation

2023 evaluation

This year's evaluation was performed by way of a questionnaire and feedback was sought from Committee members on a range of matters including effective oversight of targets, performance of external adviser, monitoring of workforce remuneration and related policies and quality of papers. The output was discussed by the Committee and it was concluded that the Committee is operating effectively and appropriate areas of focus for the year ahead were confirmed.

Advisers

During the 2023 financial year, Willis Towers Watson ('WTW') acted as the Committee's independent adviser. During the year, fees paid to WTW for advice to the Committee were £57,235 (excluding VAT). During the year, WTW also provided rewards and benefits advice to the Group. WTW is a signatory of and adheres to the Code of Conduct for Remuneration Consultants which has been developed by the Remuneration Consultants Group. There are no connections between WTW and either the Company or any of the Directors. The Committee was satisfied that the advice it received from WTW is objective and independent. The Committee also received support from the Chief People Officer (Louisa Finlay) and the Company Secretary.

Shareholder voting

The Directors' remuneration report was subject to a shareholder vote at the 2022 AGM. The results of the vote on the resolution were:

Directors' remuneration report

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
114,804,771	56.01%	90,166,133	43.99%	78,314,462

1. Includes those votes for which discretion was given to the Chairman.
2. Does not include votes withheld.

The Board understood the sensitivities around the issue of executive remuneration and the Chairman of the Board engaged directly with key investors during March and April 2023 to get their views on executive pay at the Company. The Remuneration Committee continued to actively engage with investors on executive pay matters with engagement and consultation on the policy review. See the Chair's statement on page 121 for more information.

The Directors' Remuneration Policy was subject to a shareholder vote at the 2020 AGM. The results of the votes on the resolution were:

Remuneration Policy

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
54,809,976	97.81%	1,225,075	2.19%	34,828

1. Includes those votes for which discretion was given to the Chairman.
2. Does not include votes withheld.

How the Remuneration Policy aligns with the UK Corporate Governance Code

The Committee has determined the Policy in line with the Code as set out below:

Principle	Committee approach
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Group's remuneration arrangements are clearly communicated to shareholders through this Directors' remuneration report. The Board actively engages with shareholders and the Chair discussed the arrangements with workforce representatives through the Group's Reward & Employee Benefits Forum.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The remuneration structures are straightforward with a small number of performance measures which are tied to the Group's strategy.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The reputational and other risks that may result from excessive rewards are clearly understood. The Committee has the discretion to adjust annual bonus payments and vesting levels of LTIPs to address this issue. Wide-ranging malus and clawback provisions apply to the incentives.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Committee maintains caps on the maximum incentive opportunities as reflected in the Group's remuneration policy.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance.	Discretion can be applied in relation to variable remuneration to ensure that rewards reflect the long-term performance of the Group; and the performance measurements attached to awards are carefully chosen.
Alignment to culture Incentive schemes should drive behaviours consistent with the Group's purpose, values and strategy.	The Committee reviews the incentive schemes to ensure alignment with the strategy and medium-term value creation plan.

Compliance statement

This Directors' Remuneration report complies with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Listing Rules of the Financial Conduct Authority and applies the main principles relating to remuneration which are set out in the UK Corporate Governance Code (July 2018 edition).

Directors' Remuneration Policy

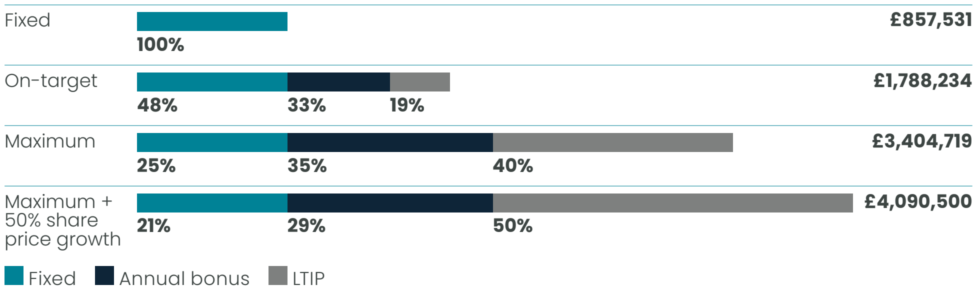
Introduction

The Company's current remuneration policy, as set out in the 2020 Annual Report, received shareholder approval at the AGM held in December 2020. The Company is therefore required to present a new remuneration policy (the '2023 Policy') to shareholders at the AGM on 16 November 2023. The 2023 Policy, which is set out on pages 144 to 153 (inclusive), will take effect from the conclusion of the 2023 AGM (subject to shareholder approval). The Committee is proposing that the changes to the annual bonus opportunity and LTIP grant level will apply to the awards made in FY24. The Committee is satisfied that the 2023 Policy is in the best interests of shareholders and its decision making process included measures to avoid conflicts of interest.

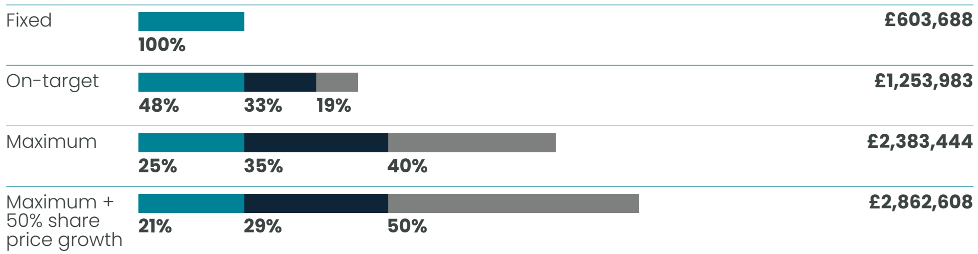
Illustration of application of remuneration policy

The charts below set out the minimum (i.e. 'fixed') remuneration receivable by each Executive Director as at the date of this Annual Report, and the potential remuneration for 'on-target' and 'maximum' performance, as a result of the remuneration paid in or awarded for the year ending 30 June 2024.

Andrew Davies



Simon Kesterton



- 'Fixed' remuneration comprises:
  - base salary
  - the estimated value of taxable benefits to be provided in 2024
  - a pension contribution/cash allowance.
- A base salary of £783,750 for the Chief Executive and £547,617 for the Chief Financial Officer for the full 2024 financial year (although such salary will be effective from 1 November 2023 for Chief Executive and 1 October 2023 for Chief Financial Officer).
- The 'on-target' remuneration assumes an annual bonus payment of 50% of the maximum opportunity (assumed to be 150% of base salary) and a 'threshold' LTIP vesting (25% of the maximum opportunity, which is assumed to be 175% of base salary).
- The 'maximum' remuneration assumes maximum performance is achieved and therefore awards under the annual bonus and the LTIP pay out or vest at their maximum levels.
- The 'maximum +50% share price growth' assumes maximum performance is achieved and therefore the annual bonus pays out and the LTIP awards vest at their maximum levels and at a share price which is 50% higher than the share price on the date of grant.
- No bonus deferral is assumed.
- No value is assumed for participation in the Save As You Earn or the Share Incentive Plan.

Remuneration policy table

The Group's policy for each element of an Executive Director's remuneration, together with a summary of any changes to the 2020 remuneration policy (the '2020 Policy'), is set out in the table below. Further information on the changes to the 2020 Policy and the rationale is set out in the Chair's statement on page 122 and the summary of the changes on page 129.

Element and link to strategy	Operation	Opportunity	Performance measures	Change to 2020 Policy
Base salary To attract and retain Executive Directors of the calibre required to deliver the Group's strategy	Salaries are reviewed annually by reference to a number of factors, including an individual's experience, performance and role within the Group, the external market (including FTSE companies of a similar size and sector peers) and any increase awarded to the wider employee population.	Any increase will typically be in line with those awarded to the wider employee population. The Committee has discretion to award higher increases in circumstances that it considers appropriate, such as a material change in the complexity of the business or an individual's responsibility. Details of salary changes will be disclosed in the Annual Report. Please refer to the Chair's statement on page 124 for information on the setting of the FY24 pay award.	Not applicable	None
Benefits To provide benefits which are competitive with the market	Benefits are reviewed from time to time and typically include, but are not limited to, a company car or car allowance, private health insurance and life assurance.	Benefits are set at a level which the Committee considers appropriate in light of the market and an individual's circumstances.	Not applicable	None
Save As You Earn ('SAYE') schemes To encourage ownership of the Company's shares	One or more HMRC-approved schemes allowing all employees, including Executive Directors, to save up to the maximum limit specified by HMRC rules. Options are granted at up to a 20% discount.	The maximum amount that may be saved is the limit prescribed by HMRC (or such other lower limit as determined by the Committee) at the time employees are invited to participate in a scheme. Typically, employees are invited to participate on an annual basis.	Not applicable	None
Share Incentive Plan To encourage ownership of the Company's shares	An HMRC-approved scheme which is open to all UK tax resident employees of participating Group companies. Executive Directors are eligible to participate. The Company may match shares purchased with an award of free shares. Matching shares may be forfeited if employees leave within three years of their award, in accordance with the SIP rules.	Participants can purchase shares up to the prevailing limit approved by HMRC (or such other lower limit as determined by the Company) at the time they are invited to participate. The Company currently offers to match purchases made through the plan at the rate of one free share for every two shares purchased but may increase this to the prevailing limit approved by HMRC.	Not applicable	None
Pension To provide a retirement benefit which is competitive with the market	Executive Directors participate in a defined contribution scheme.	The maximum employer contribution for the Executive Directors is aligned with those made available to the workforce, being, at the date of this policy, 7.5% of pensionable salary. Executive Directors may elect to receive all or part of the employer contribution as a taxable cash supplement.	Not applicable	None

Element and link to strategy	Operation	Opportunity	Performance measures	Change to 2020 Policy
Annual bonus To reward the delivery of short-term performance targets and business strategy	The Company operates a discretionary bonus scheme. Whether a bonus is awarded and the amount (if any) of bonus awarded will be determined at the Committee's discretion. The Committee may determine that it is appropriate to adjust the bonus outcome taking into account such factors it considers relevant, including but not limited to: (i) the performance of the Company or of any member of the Group; (ii) the conduct or performance of a participant; and/or (iii) any circumstances or events which have occurred in the year. Payments under the bonus scheme are based on an assessment of performance against targets over the year. One-third of any net payment is satisfied by an allocation of Kier Group plc shares, which is deferred for three years (subject to early release for good leavers and upon a change of control). The proportion of the net payment to be allocated into Kier Group plc shares is increased to 40% until the Executive Director share ownership guideline is achieved. Dividend payments accrue on deferred bonus shares over the deferral period. Malus and, in the case of the cash element of a bonus, clawback will apply.	The maximum potential bonus for the Executive Directors is 150% of base salary. 'Threshold' performance, for which an element of bonus may become payable under each component of the annual bonus, is set by the Committee each financial year. The level of bonus for achieving threshold performance varies by performance target, and may vary for a target from year to year, to ensure that it is aligned with the Committee's assessment of the degree of difficulty (or 'stretch') in achieving it. No payment is made for a performance outcome below the threshold target. The outcome for achieving on-target performance would be 50% of maximum bonus opportunity.	The Committee determines the bonus targets and their relative weightings each year. The weighting towards non-financial targets will be no higher than 20% of the maximum potential bonus. The bonus targets for the 2024 financial year will relate to profit, net debt, the Group's safety performance and personal objectives. Actual bonus targets (and performance against each of these targets), and any use by the Committee of its discretion with respect to bonus payments, will be disclosed in the Annual Report immediately following the end of the relevant performance period.	The maximum potential bonus increases from 125% to 150% of base salary. The maximum weighting towards non-financial targets is reduced from 25% to 20% of the maximum potential bonus. The deferral allocation of any net payment into shares increases from 33% to 40% until the Executive Directors have met the share ownership guideline.

Element and link to strategy	Operation	Opportunity	Performance measures	Change to 2020 Policy
LTIP awards To reward the sustained strong performance by the Group over the longer term	Awards are granted annually and will typically vest, subject to the achievement of performance conditions, on the third anniversary of the date of grant. The performance period will be no less than three years. A two-year post-vesting holding period applies. A malus provision applies to awards pre-vesting and a clawback provision applies to the post-vesting holding period. Dividend equivalents may apply to awards. The awards are subject to the LTIP rules and the Committee may adjust or amend the awards only in accordance with the LTIP rules. The LTIP rules permit the Committee to exercise its discretion to modify any performance condition(s) when it deems it fair and reasonable to do so. Any use of Committee discretion with respect to modifying any performance condition(s) will be disclosed in the relevant Annual Report. The Committee may adjust the number of shares which will vest if, in its discretion, it determines that it would be appropriate to do so in order to override the formulaic outcome of any performance condition, taking into account such factors as it considers relevant, including but not limited to: (i) the performance of the Company or of any member of the Group; (ii) the conduct or performance of a participant; and/or (iii) any circumstances or events which have occurred since the award was granted.	The maximum award is 200% of base salary. The Committee may grant awards of up to the maximum permitted in exceptional circumstances. It considers 175% to be the normal annual grant level but shall reduce this level where it considers it appropriate to do so. On achieving the threshold performance level for each element of the award, 25% of the relevant element of the award will vest. Vesting is on a straight-line basis between threshold and maximum levels of performance.	Prior to granting an award, the Committee sets performance conditions which it considers to be appropriately stretching. The performance conditions for the LTIP awards to be granted in the 2024 financial year are expected to be Adjusted Earnings Per Share and/or Total Shareholder Return outperformance and/or Adjusted Free Cash Flow and a reduction in Carbon Emissions. See page 123 for more information on the carbon reduction performance condition. The performance conditions relating to an award, and their respective weightings, will be disclosed in the Annual Report immediately following its grant.	Clarification that the normal annual grant level is 175% of base salary. The requirement to disclose reasons for awards in excess of 150% is removed. Clarification that the performance period will be no less than three years. Inclusion of an ESG-related performance measure on reducing carbon emissions.

Payments from outstanding awards

The Company will honour any commitment entered into, and the Executive Directors will be eligible to receive payment from any award or arrangement made, either (i) before this policy came into effect or (ii) at a time when the relevant individual was not a Director and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director. For these purposes, 'payment' includes the satisfaction or vesting of awards of variable remuneration (including LTIP awards) and, in relation to awards of shares, upon the terms which were agreed when the award was granted. Any such award or arrangement will be subject to their existing terms, provided that such terms were permitted by the remuneration policy in force at the date on which the relevant award or arrangement was made, granted or entered into (as the case may be).

Notes to the future policy table

Malus and clawback

Allocations of shares in part satisfaction of annual bonus payments and unvested LTIP awards will be subject to a 'malus' provision during the three-year deferral period and the three year performance period prior to vesting, respectively.

This allows the Committee to determine, in its absolute discretion, that (i) the level of an unvested LTIP award (or part of an award) is reduced (including to nil) and/or (ii) the number of deferred shares is reduced (including to nil) in certain circumstances. Examples of such circumstances include, but are not limited to:

- A material misstatement of the Group's financial statements
- A material error in determining the level of satisfaction of a performance condition or target
- A participant deliberately misleading the Company, the market and/or shareholders in relation to the financial performance of the Group
- Any action or omission on the part of the participant which resulted in or which could reasonably be expected to have resulted in material reputational damage to the Group
- A participant's employment being terminated in circumstances of gross misconduct and/or circumstances justifying summary dismissal
- Any other circumstances similar in nature to those set out above which the Company considers justifies the application of malus.

The Committee has the right to apply the malus provision to an individual or on a collective basis.

Clawback applies to (i) the cash element of the annual bonus and (ii) the two-year post-vesting holding period which applies to LTIP awards. The circumstances in which clawback apply are the same (or substantially the same) as for malus. The ways in which clawback may be effected are set out in the Company's bonus rules and the LTIP rules, as the case may be. They include requiring an individual to pay or repay cash to the Company, reducing the level of awards made to an individual and delaying the vesting of LTIP awards.

Executive Director shareholding guidelines

The Committee encourages Executive Directors to accumulate a shareholding in the Company of at least 200% of base salary over a period of up to five years and the annual bonus deferral increases from 33% to 40% until this is achieved. Executive Directors are therefore required to retain any shares allocated to them as part of the annual bonus plan and upon the vesting of LTIP awards until they reach this level of shareholding.

A post-employment shareholding requirement also applies, pursuant to which, for a period of two years after the date on which employment terminates, an Executive Director is required to retain shares in the Company allocated as part of the annual bonus plan and upon the vesting of LTIP awards which are equal in value to 200% of base salary (or, if less than 200% at the date on which employment terminates, such shares then owned). Shares subject to the post-cessation shareholding requirement are those granted as either deferred shares or LTIP awards.

Selection of performance measures and approach to setting targets

The annual bonus measures are determined annually to reflect matters which the Committee considers to be areas of specific focus for the Executive Directors over the short-term. The Committee believes that using a number of measures provides a balanced incentive. The measures themselves are aligned to, and are designed to support the delivery of, the Group's strategic objectives.

The Committee sets performance conditions relating to the LTIP awards which are designed to align the interests of management and shareholders, incentivise management to deliver the Group's strategic objectives and reward performance over the longer-term. Please see page 126 for further information and the Chair's statement on page 123.

Targets for the annual bonus and performance conditions for the LTIP awards are reviewed before the awards are made, based on a number of internal and external reference points, including strategic plans and analyst consensus to reflect market expectations, where available. The Committee intends that the targets will be stretching and will align management's interests with those of shareholders. Please see page 126 for further information.

Approach to setting the remuneration of other employees

Kier's approach to setting annual remuneration is broadly consistent across the Group. Consideration is given to the experience, performance and responsibilities of individuals as well as to publicly available external benchmarking data, to the extent considered necessary or appropriate. Certain grades of senior employees are eligible to participate in an annual bonus scheme with similar performance targets to those used for the Executive Directors. Maximum opportunities and specific performance measures vary by seniority, with business-specific measures applied where appropriate. Senior leaders in strategic roles are also eligible to participate in a long-term share incentive plan under which awards will normally vest after three years, subject to continued employment. Award sizes vary according to seniority and responsibility.

Approach to remuneration on recruitment

External appointment

When recruiting a new Executive Director from outside the Group, the Committee may make use of all the existing components of remuneration. In addition, the Committee may consider it appropriate to grant an award under an alternative scheme or arrangement in order to facilitate recruitment of an individual, subject to the policy set out below. The theoretical maximum variable pay opportunity that can be awarded in one year will be up to 150% in an annual bonus and up to 200% in an LTIP award.

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, the experience and skills of the individual, internal relativities and the appointee's current base salary. Where a new appointee has an initial base salary set below the market median, any subsequent adjustment will be managed by the Committee, using (where appropriate) phased increases and subject to the individual's development in the role.
Benefits	New appointees will be eligible to receive benefits in line with the remuneration policy, which may also include (but are not limited to) any necessary expenses relating to expatriation or relocation on recruitment.
SAYE schemes	New appointees will be eligible to participate on the same terms as all other employees.
SIP	New appointees will be eligible to participate on the same terms as all other employees.
Pension	New appointees will receive employer pension contributions which are aligned with those available to the workforce, being, at the date of this policy, 7.5% of pensionable salary, into a defined contribution pension arrangement or an equivalent taxable cash supplement or a combination of both.
Annual bonus	The annual bonus structure described in the remuneration policy will apply to new appointees (including the maximum opportunity), pro-rated in the year of joining to reflect the proportion of that year employed. The mandatory deferral amount will be 40% of the net bonus earned until the shareholding guideline has been met, at which point the deferral amount shall be reduced to one-third of the net bonus earned.
LTIP	New appointees may be granted awards under the LTIP of up to 200% of salary.
'Buy out' awards	The Committee may consider it appropriate to grant a 'buy-out' award (with respect to either a bonus or a share-based incentive scheme) using either an existing incentive scheme or arrangement or an alternative scheme or arrangement in order to facilitate recruitment. When doing so, the Committee may, to the extent required, implement an arrangement referred to in Listing Rule 9.4.2. Any such 'buy-out' award would have a fair value no higher than that of the award forfeited. In granting any such award, the Committee will consider relevant factors, including any performance conditions attached to the forfeited awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. When considering any performance conditions for any such award, the Committee will, where appropriate, take into account those used in the Company's existing incentive arrangements. Where appropriate, the Committee will also consider whether it is necessary to introduce further retention measures for an individual – for example, extended deferral periods.
Legal fees	The Company may agree to pay the reasonable legal fees incurred by a new appointee for advice received in relation to his/her contract of employment or service agreement.

In determining an appropriate remuneration package for a new Executive Director, the Committee will take into consideration such factors as it considers to be appropriate to ensure that the arrangements are in the best interests of the Company's shareholders.

Internal promotion

When recruiting a new Executive Director through internal promotion, the Committee will set remuneration in a manner consistent with the policy for external appointments set out above (other than with respect to 'buy-out' awards). Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these commitments.

The remuneration of individuals below the Board is typically not greater than for Executive Directors, but may include additional payments for additional responsibilities.

Service contracts

A summary of the key elements of the Executive Directors' service agreements (insofar as they relate to remuneration) is as follows:

Summary of provisions

Contract duration	No fixed term.
Notice period	12 months' notice (both to and from the Executive Director).
Payment in lieu of notice (PILON)	Employment can be terminated with immediate effect by undertaking to make a PILON comprising base salary, pension contributions or allowance, car allowance and a sum representing the cost of private medical insurance. The Company may elect to provide private medical insurance and/or to allow an Executive Director to retain his or her company car through the notice period (or the balance of it) as an alternative to making cash payments. The Company is entitled to make the PILON on a phased basis, subject to mitigation, so that any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.
Change of control	There are no payments due upon a change of control. Please see 'Payments for loss of office' below for a summary of change of control provisions.
Other entitlements on termination	There is no contractual entitlement to notice, or any other payments in respect of the period after cessation of employment, if the individual is summarily dismissed. If not required to take any remaining holiday entitlement during his/her notice period, the Executive Director will receive a payment for any accrued (but untaken) holiday entitlement. Please see 'Payments for loss of office' below for a summary of other entitlements which may be due upon termination (and which relate to remuneration).

The service agreements are available for inspection at the Company's registered office.

Payments for loss of office

The Company's policy on payments for loss of office is as follows:

Component	Approach
Annual bonus	Individuals who are determined by the Committee to be 'good leavers' may be considered for an annual bonus in relation to the year in which their active employment ceases. When deciding whether to exercise its discretion to allow a payment in respect of an annual bonus (and, if so, its amount and the terms on which it may be paid), the Committee will consider such factors as it considers to be appropriate, including performance against bonus targets, the performance of the individual and the Group in general and the circumstances in which the individual is leaving office. Any payment to a 'good leaver' in respect of an annual bonus will typically be made at the same time as annual bonuses are paid to other employees. Clawback will continue to apply to the cash element of any payment made in respect of an annual bonus. The Committee will determine if it is appropriate in the particular circumstances to apply bonus deferral. Deferred shares allocated in part satisfaction of annual bonuses may be released upon cessation of employment if an individual is determined by the Committee to be a 'good leaver'. Otherwise, they will be released at the end of the three-year holding period (unless they are forfeited in the case of circumstances justifying summary dismissal).
LTIP	If an Executive Director ceases to be an employee or a director of a member of the Group for reasons of: (i) death, (ii) ill-health/injury/disability, (iii) redundancy, (iv) retirement with the agreement of the Company, (v) the sale or transfer of the business or part of the business of the Group in which the Executive Director is employed to a company which is not a member of the Group, (vi) his/her employing company ceasing to be a member of the Group, or (vii) such other circumstances approved by the Committee, the unvested LTIP awards will continue to vest on the original vesting date (subject to satisfaction of performance conditions and, unless the Committee exercises its discretion to waive time pro-rating, time pro-rating to reflect the period worked). Alternatively, the Committee has discretion to allow the awards to vest on cessation of employment (subject to current and forecast progress against the performance conditions and any other factors considered by the Committee to be relevant). Unless the Committee exercises its discretion to waive time pro-rating, time pro-rating will apply to reflect the period worked. If an Executive Director ceases to be an employee or a director of the Group for any other reason, his/her LTIP awards (both vested and unvested) will lapse on the date of such cessation. Any vested shares are subject to the two-year post-vesting holding period, irrespective of the date on which they vest. Please see 'Change of control' below for the policy which applies in the event of a change of control of the Company.
SIP and SAYE schemes	The Executive Directors are subject to the same 'leaver' provisions as all other participants, as prescribed by the rules of the relevant scheme or plan.

Component	Approach
Other	If the Company terminates an Executive Director's employment by reason of redundancy, the Company will make a redundancy payment to the Executive Director in line with his/her service agreement, any applicable collective bargaining agreement and applicable law and regulation. The Company may make a contribution towards an Executive Director's legal fees for advice relating to a compromise or settlement agreement and may also make other payments connected to the departure – for example, for outplacement services, tax advice and relocation costs. With respect to any such payments, the Committee will authorise what it considers to be reasonable in the circumstances.
Change of control	Deferred bonus shares will be released and any outstanding LTIP awards will vest early to the extent determined by the Committee, having taken into account current and forecast progress against the performance condition(s), the proportion of the vesting period which has elapsed and any other factors considered by the Committee to be relevant; in such circumstances, no holding period will apply to the shares vesting and any holding period for previously vested LTIP awards will cease to apply. Unless the Committee determines otherwise, if, following a change of control, the acquiring company has substantially the same shareholders and in approximately the same shareholdings as those of the Company prior to the change of control, the LTIP awards will not vest but will be exchanged for equivalent awards over shares in the new holding company (and the holding period will continue to apply). Clawback will not apply to LTIP awards which vest as a result of a change in control or to any payments of cash bonuses made on a change of control. The rules of the SIP and the SAYE schemes will apply on a change of control. No payments are due under the Executive Directors' service agreements upon a change of control.

In exercising discretion in respect of any of the elements referred to above, the Committee will take into account such factors as it considers to be appropriate. These include, but are not limited to: the duration of the Executive Director's service; the Committee's assessment of the Executive Director's contribution to the success of the Group; whether the Executive Director has worked any notice period or whether a PILON is being made; the need to ensure an orderly handover of duties; and the need to compromise any claims which the Executive Director may have. Any use of Committee discretion will be disclosed in the relevant annual report on remuneration.

Where appropriate, the Committee will oblige the individual to mitigate his/her losses and may offset any alternative remuneration received by the individual against any notice or PILON payments made by the Company.

Consideration of employment conditions elsewhere in the Group

Employees are not formally consulted on the Executive Directors' remuneration and were not consulted during the preparation of the remuneration policy set out above. However, the Committee Chair attends the Group's Reward and Employee Benefits Forum where a range of employee reward and benefits issues including the Executive Directors' remuneration arrangements, the role of the Committee and the Policy, and how they link with wider workforce pay and benefits within Kier are discussed – see page 128 for further information.

The Committee takes into account the pay and employment conditions of employees within the Group when making decisions on the Executive Directors' remuneration; for example, the Committee reviews the Group's latest gender pay gap information and, prior to setting the Executive Directors' remuneration, reviews detailed information relating to the workforce's remuneration. Please see page 122 for further information. With respect to bonuses, the Committee set targets directly aligned to the delivery of the Group's medium-term value creation plan, its strategy and promotion of its long-term sustainable success. Bonus targets also include a target on workforce safety and, when setting Executive Directors' personal targets, the Committee will consider the inclusion of objectives related to employee engagement and diversity and inclusion.

Consideration of shareholders' views

The views of shareholders, and guidance from shareholder representative bodies, are important to the Committee and provide the context for setting the remuneration of the Executive Directors. For example, when setting the 2023 Policy, both the Chair of the Board and the Chair of the Remuneration Committee engaged with a number of major shareholders, whose feedback was reflected in the Committee's decision making. Please see the Annual Statement of the Chair of the Remuneration Committee on page 121 for further information on the areas discussed with the shareholders and a summary of the feedback received.

The Committee will keep the remuneration policy under regular review so as to ensure that it continues to relate to the Company's long-term strategy and aligns the interests of the Executive Directors with those of the shareholders. In addition, the Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Non-Executive Director remuneration policy

General

The Non-Executive Directors' remuneration (including that of the Chairman) reflects the anticipated time commitment to fulfil their duties. Non-Executive Directors do not receive bonuses, long-term incentive awards, a pension or compensation on termination of their appointments. The policy on Non-Executive Directors' remuneration is as follows:

Element and link to strategy	Operation	Opportunity	Performance measures	Change to 2020 Policy
Fees To attract and retain Non-Executive Directors of the calibre required and with appropriate skills and experience	Fee levels are reviewed annually with reference to individual experience, the external market and the expected time commitment required of the Director. Additional fees are payable to the Chairs of the Board's committees and to the Senior Independent Director.	Fees may be increased in line with the outcome of the annual review and will not normally exceed the increase awarded to the wider employee population. Higher increases may be awarded should there be a material change to the requirements of the role, such as additional time commitment. Any changes to fees will be disclosed in the annual report on remuneration for the relevant year.	Not applicable.	None.
Benefits To reimburse Non-Executive Directors for expenses	Reasonable and necessary expenses are reimbursed, together with any tax due on them.	Expenses (including, without limitation, travel and subsistence) incurred in connection with Kier business and any tax payable thereon.	Not applicable.	None.

Recruiting Non-Executive Directors

When recruiting a new Non-Executive Director, the Committee will follow the policy set out in the table above.

Non-Executive Director letters of appointment

The Non-Executive Directors do not have service contracts but have entered into letters of appointment with the Company which can be terminated by either party on one month's notice or, in the case of the Chairman, six months' notice. The letters of appointment do not include any provisions for the payment of pre-determined compensation upon termination of appointment and are available for inspection at the Company's registered office. The Non-Executive Directors are subject to annual re-election at the AGM.

Directors' report

Introduction

This Directors' report and the Strategic report on pages 1–91 (inclusive) together comprise the 'management report' for the purposes of Disclosure Guidance and Transparency Rule 4.1.5R.

Information incorporated by reference

The information shown in table 1 opposite is provided in other appropriate sections of this Annual Report and the financial statements and is incorporated into this Directors' report by reference.

See table 1 opposite.

Disclosures required under Listing Rule 9.8.4R

Table 2 opposite sets out the location of information required to be disclosed under Listing Rule 9.8.4R, where applicable.

See table 2 opposite.

Political donations

The Company made no political donations during the year (FY22: nil).

Research and development

The Group undertakes research and development activities when providing services to its clients. The total amount of the direct expenditure incurred by the Group when undertaking such activities is not readily identifiable, as the investment is typically included in the relevant project.

Share capital

As at 30 June 2023, the issued share capital of the Company consisted of 446,314,435 ordinary shares of 1 pence each ('Ordinary Shares'). During the 2023 financial year, the Company issued 72,753 Ordinary Shares in connection with the exercise of options under the Kier Group plc Sharesave Scheme 2016 (the 'Scheme') (FY22: 75,983 Ordinary Shares). Between 1 July 2023 and 12 September 2023, no Ordinary Shares were issued in connection with the exercise of options under the Scheme. Further details of changes to the Ordinary Shares issued and of options and awards granted during the year are set out in notes 26 and 27 to the consolidated financial statements.

Subject to the provisions of the articles of association of the Company (the 'Articles') and prevailing legislation, shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, if the Company has not so determined, as the Directors may decide.

1. Information incorporated by reference

Information	Reported in	Pages
Corporate governance	Corporate governance Statement of Directors' responsibilities	92–119 (inclusive) 157
Directors	Board of Directors Directors' Remuneration report – Directors' shareholdings and share interests	94–95 (inclusive) 135–137 (inclusive)
Employee engagement	Employee wellbeing & engagement Our key stakeholders	57–58 (inclusive) 71
Employment of disabled persons	Diversity & inclusion	55
Engagement with suppliers, customers and others	Our key stakeholders	70–73 (inclusive)
Financial instruments	Consolidated financial statements – note 29	223–227 (inclusive)
Going concern	Financial review	89
Greenhouse gas emissions	Building for a Sustainable World	47–50 (inclusive)
Important events since the end of the financial year	Chief Executive's review Consolidated financial statements – note 33	12 235
Likely future developments	Chief Executive's review	8–15 (inclusive)
Results and dividends	Financial review	84–89 (inclusive)

2. Disclosures required under Listing Rule 9.8.4R

Information required to be disclosed	Page(s)
(1) Amount of interest capitalised	n/a
(2) Publication of unaudited financial information	n/a
(4) Long-term incentive schemes	n/a
(5)–(11) Miscellaneous	n/a
(12)–(13) Waiver of dividends	155
(14) Agreement with controlling shareholders	n/a

3. Substantial holdings – section 793 information as at 31 August 2023

Shareholder	Interest
Schroder Investment Management	9.94%
M&G Investments	6.64%
JO Hambro Capital Management	5.38%
Hargreaves Lansdown Asset Management	4.86%
abrdn (Standard Life)	4.83%
JTC Employer Solutions Trustee Limited (Kier Employee Benefit Trust)	4.05%
BlackRock Investment Management	4.00%
Columbia Threadneedle Investments (formerly BMO Global Asset Management)	3.08%
Lombard Odier Asset Management	3.07%

4. Substantial holdings – DTR disclosures as at 12 September 2023

Shareholder[1]	Interest[2]
Schroders plc	9.98%
M&G Plc	9.93%
abrdn plc	8.28%
BlackRock, Inc.	6.51%
Pendal Group Limited	5.04%
Brewin Dolphin Limited	5.01%
Charles Stanley Group plc	5.00%
Lombard Odier Asset Management (Europe) Limited	4.98%
Rathbone Investment Management Limited	4.93%
Jupiter Fund Management PLC	4.78%
Aviva plc	4.77%
JTC Employer Solutions Trustee Limited (Kier Employee Benefit Trust)	4.08%
Norges Bank	3.03%

1. The most recent notification received by the Company from Woodford Investment Management Limited 'WIM') in July 2019 indicated a shareholding of 22,901,145 shares, which would represent 5.13% of the Company's issued share capital as at 12 September 2023. Although the Directors of the Company believe that the number of shares held by WIM has decreased significantly since that time, as they understand that the funds managed by WIM are in the process of being closed down, the Company has not received an updated notification of change in shareholding pursuant to the Disclosure Guidance and Transparency Rules.
2. Subject to rounding.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, other than those that are set out in the Articles or apply as a result of the operation of law or regulation. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities in the Company.

Substantial holdings

The information in table 3 opposite has been provided as at 31 August 2023 under requests made to shareholders under section 793 of the Companies Act 2006.

As such this information is regarded by the Company as providing an up-to-date representation of our major shareholders' interests.

In addition, we have included in table 4 opposite the interests in the share capital of the Company which have been notified to the Company as at 12 September 2023 under Rule 5.1 of the Disclosure Guidance and Transparency Rules. The information in table 4 is based on the latest notifications that have been made to the Company by the relevant shareholders; accordingly, it may not accurately represent the actual interests of the relevant shareholders in the share capital of the Company.

See tables 3 and 4 opposite.

Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Rights under employee share schemes

As at 30 June 2023, JTC Employer Solutions Trustee Limited ('JTC'), as the trustee of the Kier Group 1999 Employee Benefit Trust, owned 16,933,916 Ordinary Shares (3.79% of the Company's issued share capital at that date). These shares are made available to satisfy share-based awards granted to senior management under the Group's remuneration arrangements. JTC does not exercise any voting rights in respect of these shares and waives any dividends payable. In addition, as at 30 June 2023, JTC held 1,147,924 Ordinary Shares (0.26% of the Company's issued share capital at that date) in a nominee capacity on behalf of senior management in connection with the Company's deferred bonus arrangements. JTC votes to the extent instructed by the holders of the beneficial interests in these shares (the 'Beneficial Holders') and distributes any dividends received to the Beneficial Holders.

As at 30 June 2023, Equiniti Limited ('Equiniti') held 8,415,751 Ordinary Shares (1.89% of the Company's issued share capital at that date) on trust for the benefit of members of the Kier Group plc Share Incentive Plan. Equiniti does not exercise any voting rights in respect of the shares held by the trust (although beneficiaries may authorise Equiniti to vote in accordance with their instructions). Equiniti distributes dividends received to beneficiaries under the trust.

As at 30 June 2023, the trustee of the May Gurney Integrated Services PLC Employee Benefit Trust held 19,045 shares (0.004% of the Company's issued share capital at that date). These shares are made available to satisfy awards of shares under the Group's remuneration arrangements. The trustees do not exercise any voting rights in respect of shares held by its trust and waive dividends payable with respect to such shares.

Restrictions on voting rights

No shareholder will, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums then payable by the shareholder in respect of that share have been paid or if that shareholder has been served with a disenfranchisement notice.

The Company is not aware of any agreements between holders of securities that may result in restrictions on voting rights.

Appointment and replacement of Directors

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office until the next AGM of the Company after his/her appointment and is then eligible to stand for election.

Each of the Directors will stand for election or re-election by shareholders at the 2023 AGM. Further information about the Directors' skills and experience can be found on pages 94 and 95.

The Company may by ordinary resolution, of which special notice has been given, remove any Director before the expiry of the Director's period of office.

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Articles and the Company maintains Directors' and officers' liability insurance for the benefit of the Directors and the Company's officers. The Company and Kier Limited have also entered into qualifying third-party indemnity arrangements in a form and scope which comply with the Companies Act 2006. Each of these arrangements remain in force as at the date of this Annual Report.

Amendment of Articles

The Articles may be amended by a special resolution of the Company's shareholders.

Powers of the Directors

Subject to the Articles, applicable law and any directions given by shareholders, the Company's business is managed by the Board, which may exercise all the powers of the Company.

Powers in relation to the Company issuing its shares

The Directors were granted authority at the AGM on 17 November 2022 to allot shares in the Company (i) up to an aggregate nominal amount of £1,487,563 and (ii) up to an aggregate nominal amount of £2,975,127 in connection with a rights issue. The Directors were also granted authority to allot shares (i) non-pre-emptively and wholly for cash up to an aggregate nominal amount of £223,134 and (ii) for the purposes of financing an acquisition or other capital investment up to a further nominal amount of £223,134.

During the 2023 financial year, the Company issued 72,753 Ordinary Shares, with an aggregate nominal value of £727.53, in connection with the exercise of options under the Kier Group plc Sharesave Scheme 2016.

Powers in relation to the Company buying back its shares

The Company may only buy back shares if the Articles do not prohibit it from doing so and it has received the requisite authority from shareholders in general meeting. The Articles do not contain any such prohibition. The Company has not sought this authority from shareholders previously and no shares were purchased during the year. The Company proposes to seek authority at the 2023 AGM to make market purchases of up to 10% of its issued shares as at the latest practicable date prior to the publication of the Notice of AGM. The Directors have no present intention of exercising this authority but wish to have the flexibility to do so in the future.

Change of control

The Group's loan facility agreements with its UK lending banks and the note purchase agreements relating to the Group's US private placements of notes each contain provisions under which, in the event of a change of control of the Company, the Company may be required to repay all outstanding amounts borrowed.

Certain of the Group's commercial arrangements, including certain of its joint venture agreements, contract bond agreements and other commercial agreements entered into in the ordinary course of business, include change of control provisions.

Certain of the Group's employee share schemes or remuneration arrangements contain provisions relating to a change of control of the Company. Outstanding awards or options may become exercisable or vest upon a change of control.

There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs as a result of a takeover bid (other than those referred to above).

Subsidiaries and branches

A list of the Group's subsidiaries and the branches through which the Group operates are listed in note 32 to the consolidated financial statements.

Auditors

The Board has decided that PricewaterhouseCoopers LLP will be proposed as the Group's auditors for the financial year ending 30 June 2024. A resolution relating to this re-appointment will be proposed at the forthcoming AGM.

AGM

The Company's 2023 AGM is scheduled to be held on 16 November 2023. Please see the Notice of AGM for further information.

This Directors' report was approved by the Board and signed on its behalf by:

Jaime Tham
Company Secretary

13 September 2023

2nd Floor, Optimum House,
Clippers Quay, Salford M50 3XP

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report 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 United Kingdom Accounting Standards, comprising FRS 101, have 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
- 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 Annual Report 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 profit of the Group
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company
- the Annual 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 it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

Andrew Davies
Chief Executive

Simon Kesterton
Chief Financial Officer

13 September 2023