Corporate governance
Chairman's introduction to governance

Phil White
Chairman

> **"As a board, we believe that the Group and the delivery of its strategy should be based on strong governance."**

As a board, we believe that the Group and the delivery of its strategy should be based on strong governance. We also believe that good governance is essential to the way in which we operate on a day-to-day basis. A summary of how our governance framework has supported our strategy and operations is set out on page 61.

In this part of the annual report, we describe governance at Kier, the principal areas of activity of the Board and its committees throughout the year and how we have complied with the UK Corporate Governance Code (September 2012 edition) ('the Code'), demonstrating our commitment to applying high standards of corporate governance.

In this introduction, I set out a summary of how we have applied the main principles of the Code.

Compliance with the Code

During the 2015 financial year, the Company continued to apply the main principles of the Code and complied with the provisions of the Code, except in certain areas. Further details are set out on page 63.

We also monitored the changes to the Code which were made in the September 2014 edition and are expressed to apply to financial years commencing on or after 1 October 2014, in preparation for our 2016 financial year. A full version of the Code can be found on the Financial Reporting Council's website: http://www.frc.org.uk.

Leadership and effectiveness

The Board is collectively responsible for the long-term success of the Group, for developing and delivering its strategy and for establishing a framework of prudent and effective controls to assess and manage risk effectively. Kier continues to be led by a board with a range of skills and experience which will challenge, motivate and support the business. Please see page 67 for an overview of the governance and management structure of the Group.

As we identified in our 2014 annual report, Board succession planning was one of the key priorities in 2015. During the course of the year, there have been a number of changes to the composition of the Board. On 1 September 2014, Kirsty Bashforth joined the Board as a non-executive director. On 1 January 2015, Bev Dew joined as the new Finance Director. In March 2015, we announced that Nigel Brook (Executive Director – Construction and Infrastructure Services), Nigel Turner (Executive Director – Developments and Property Services) and Claudio Veritiero (Group Strategy and Corporate Development Director) had been appointed to the Board and that Steve Bowcott, the former Chief Operating Officer, would stand down from the Board. It was particularly pleasing that the three new directors were internal promotions and we have been delighted with their performance since appointment.

We believe that these appointments will enable the Board to more effectively oversee progress against the Group's strategy: two of the new executive directors are actively involved in the day-to-day delivery of the Group's strategy through their respective businesses. The appointment of Claudio Veritiero to the Board, as Group Strategy and Corporate Development Director, demonstrates the strength of our commitment to deliver Vision 2020.

The skills and experience of the executive directors are balanced by those of the non-executive directors, who bring a depth and breadth of experience in senior management roles, finance, governance and risk management, among other matters. Please see pages 64 to 66 (inclusive) for the directors' biographies.

Since the appointments of Nigel, Nigel and Claudio, the Board has not complied with provision B.1.2 of the Code, which requires at least half of the Board (excluding the Chairman) to be independent non-executive directors. We were therefore pleased to announce the appointment of Justin Atkinson as an independent non-executive director with effect from 1 October 2015. Justin's experience of the construction industry, both in the UK and internationally, complements the skills and

How governance has supported our strategy during 2015

Strategic priority	The Board's governance role
Operate a safe and sustainable business	The Board considers health and safety at every Board meeting, with both the Chief Executive and the Group Safety, Health and Environment Director ('the Group SHE Director') providing reports on the Group's current safety, health and environment ('SHE') performance. The Safety, Health and Environment Committee considers the Group's strategic SHE priorities and assists management to ensure that SHE risks are appropriately managed throughout the Group. Please see pages 82 and 83 for the safety, health and environment Committee Report. The Board oversaw the launch of the Group's strategy for a sustainable business in March 2015.
Accelerate growth to be a top three player in our chosen markets	The Board reviews and approves material acquisitions. For example, during the course of the year, the Board approved the acquisition of Mouchel, which has significantly accelerated the delivery of the Group's Vision 2020 strategy. During the course of the year, the Group Strategy and Corporate Development Director (Claudio Veritiero) was appointed to the Board and, at each Board meeting, provides an update on progress against the Group's strategy.
Achieve top quartile performance and efficiency	At each Board meeting, detailed reports are produced by the executive directors with operational responsibilities as to the performance of the businesses for which they are responsible. In addition, further detailed discussions as to individual businesses' performance and efficiency are held at meetings of the Executive Committee, which comprises the executive directors and the Company Secretary. Please see the divisional reviews set out on pages 38 to 53 (inclusive) for further information.
Provide sector-leading customer experience	The Board reports produced by the executive directors with operational responsibilities also provide details of feedback (both positive and negative) from customers, together with examples of significant contract awards and disputes. These reports are discussed by the Board, with the non-executive directors providing constructive challenge to the executive directors and mangement whch is designed to drive a sector-leading experience for the Group's customers. Operational performance and issues affecting or relevant to customer relationships are also discussed at meetings of the Executive Committee.
Attract and retain highly motivated, high-performing teams	At each Board meeting, the executive directors report on significant changes in personnel, any new senior appointments and steps being taken to ensure that teams remain highly motivated and high-performing. The Board also supported the appointment of a new Group HR Director during the course of the year, who will oversee the Group's framework for attracting and retaining talent throughout its operations. During the course of the year, the Nomination Committee also discussed in detail the succession plan relating to senior management below the Board and made three internal promotions to the Board. Please see pages 74 and 75 for the Nomination Committee Report.
Ensure we have investment in technology and back-office systems	During the course of the year, a significant focus for the Board has been overseeing the planned introduction of a new ERP system. Regular updates on progress against the project plan are provided to the Board and the Risk Management and Audit Committee ('the RMAC') receives detailed status reports at each committee meeting.

Corporate governance
Chairman's introduction to governance continued

experience of the other non-executive directors. Justin will be a member of all four of the Board's committees and will be present at the 2015 AGM to answer any questions about his new role.

More details of our compliance with the leadership and effectiveness provisions of the Code can be found on pages 67 to 72 (inclusive).

Accountability

As a board, we understand our responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects in this annual report. We also understand the need to maintain sound risk management and internal control systems. We are aware of the changes to the Code, which will apply to Kier's 2016 financial year. In particular, we note the requirement to make a statement as to the Group's longer-term viability in next year's report and accounts and the Board and the RMAC are already working together to ensure that we can comply with this requirement next year.

During the course of the year, the RMAC has assisted the Board to discharge its obligations with respect to the management of risk. A summary of the matters considered by the RMAC during the course of the year is set out in the Risk Management and Audit Committee Report contained on pages 76 to 81 (inclusive).

Further information relating to our compliance with the accountability provisions of the Code are set out on page 72.

Remuneration

Having received 76.24% of the votes in favour of our Remuneration Report at the 2013 AGM, we were pleased to receive 98.87% of votes in favour of our remuneration policy at the 2014 AGM; 88.52% of votes in favour of our Remuneration Report also represented a significant improvement on the number of votes in favour of the report at the 2013 AGM. We recognise, however, that we need to continue to engage with shareholders on remuneration matters to ensure that we understand their views.

The remuneration of the four executive directors who were appointed during the year is within the policy which was approved by shareholders last year. In addition, the terms agreed with Steve Bowcott on his departure from the Board are within the terms of the policy on payments for loss of office. Further information on the remuneration of the newly-appointed executive directors and a summary of the terms agreed with Steve Bowcott are set out in the Remuneration Report on pages 84 to 106 (inclusive).

The policy remains unchanged for the 2016 financial year; as a result, we will not be seeking approval for any changes to our existing remuneration policy at the 2015 AGM.

Relations with shareholders

Members of the Board have met a number of our key stakeholders during the year to understand their views on matters of significance to them. For example, our new appointments to the Board have, during their first few months on the Board, met a number of shareholders and analysts. As Chairman, I welcome the opportunity to meet shareholders and my discussions with them during the course of the year on a variety of governance and strategy matters have helped to ensure that I can keep the Board informed about their issues and concerns. Further details on our engagement with shareholders are set out on page 73.

Phil White
Chairman of the Board
16 September 2015

Compliance with the Code

Application of the main principles of the Code

During the 2015 financial year, the Company continued to apply the main principles of the Code, as follows:

A. Leadership

A1 The Board's role
The Board met formally 10 times during the year. There is a clear schedule of matters reserved for the Board, together with delegated authorities throughout the Group.

A2 A clear division of responsibilities
The roles of the Chairman and Chief Executive are clearly defined. Phil White, the Chairman, is responsible for the leadership and effectiveness of the Board. Haydn Mursell, the Chief Executive, is responsible for leading the day-to-day management of the Group within the strategy set by the Board.

A3 Role of the Chairman
The Chairman sets the agendas for meetings, manages the meeting timetable (in conjunction with the Company Secretary) and facilitates open and constructive dialogue during the meetings.

A4 Role of the non-executive directors
The Chairman promotes an open and constructive environment in the boardroom and actively invites the non-executive directors' views. The non-executive directors provide objective, rigorous and constructive challenge to management and meet regularly in the absence of the executive directors.

B. Effectiveness

B1 The Board's composition
The Nomination Committee is responsible for regularly reviewing the composition of the Board. In making appointments to the Board, the Nomination Committee considers the wide range of skills, knowledge and experience required in order to maintain an effective board.

B2 Board appointments
The appointment of new directors to the Board is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on pages 74 and 75.

B3 Time commitments
On appointment, directors are notified of the time commitment expected from them which, in practice, goes beyond that set out in the letter of appointment. External directorships, which may impact existing time commitments, must be agreed with the Chairman.

B4 Training and development
All directors receive an induction on joining the Board and training is made available to members of the Board in accordance with their requirements.

B5 Provision of information and support
The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information.

B6 Board and committee performance evaluation
During the 2015 financial year, the Board undertook an evaluation of its performance during the year. Details of the evaluation can be found on pages 71 and 72.

B7 Re-election of the directors
All directors were subject to shareholder election or re-election at the 2014 AGM, as will be the case at the 2015 AGM.

C. Accountability

C1 Financial and business reporting
The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report is set out on pages 1 to 59 (inclusive) and this provides information about the performance of the Group, the business model, strategy and the risks and uncertainties relating to the Group's future prospects.

C2 Risk management and internal control systems
The Board sets out the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the RMAC, which assists the Board with its responsibilities in relation to the management of risk, are summarised on pages 76 to 81 (inclusive).

C3 Role and responsibilities of the Risk Management and Audit Committee
The Board has delegated a number of responsibilities to the RMAC, which is responsible for overseeing the Group's financial reporting processes, internal control and risk management framework and the work undertaken by the external auditor. The chairman of the RMAC provides regular updates to the Board.

D. Remuneration

D1 Levels and elements of remuneration
The Remuneration Committee sets levels of remuneration appropriately so as to attract, retain and motivate the Board, but also structures remuneration so as to link it to both corporate and individual performance, thereby aligning management's interests with those of shareholders.

D2 Development of remuneration policy and packages
Details of the work of the Remuneration Committee and the approach to setting the remuneration policy can be found in the Remuneration Report on pages 84 to 106 (inclusive).

E. Relations with shareholders

E1 Shareholder engagement and dialogue
The Board takes an active role in engaging with shareholders. The Board particularly values opportunities to meet with shareholders and the Chairman ensures that the Board is kept informed of shareholder views.

E2 Constructive use of the AGM
The AGM provides the Board with an important opportunity to meet with shareholders, who are invited to meet the Board following the formal business of the meeting.

Compliance with the Code provisions

An explanation of the Company's non-compliance with certain Code provisions during the 2015 financial year is as follows:

Code provision	Explanation
B.1.2 – at least half of the Board (excluding the Chairman) to comprise independent non-executive directors.	Since the appointment of the three new executive directors in March 2015, the Board has not complied with this requirement. However, the appointment of Justin Atkinson as an independent non-executive director with effect from 1 October 2015 means that, with effect from that date, the Board will comply with B.1.2.
B.2.3 – non-executive directors to be appointed for a specified term.	The non-executive directors' letters of appointment each contain notice periods of one month (either way) and their appointments are subject to annual re-election and to statutory provisions relating to the removal of directors, but do not contain a specified term. The Company's current policy is that all directors, including the non-executive directors, will be subject to annual re-election at the Company's AGM. These arrangements are designed to provide the Company with the flexibility to maintain an appropriate range of skills and experience on the Board.
C.3.5 – internal auditor effectiveness.	During the year, the Group changed internal auditor from PwC to KPMG. For the RMAC to be able to assess its effectiveness as internal auditor, KPMG needs to have completed a sufficient number of internal audits. The next formal assessment of the internal auditor will, therefore, take place in the 2016 financial year. See the Risk Management and Audit Committee Report on pages 76 to 81 (inclusive) for further details.
E.1.1 – the Senior Independent Director should attend sufficient meetings with a range of major shareholders.	During the year, the Senior Independent Director has met with a limited number of major shareholders. The Chairman and other members of the Board have, however, met a number of major shareholders during the year to discuss a variety of matters, so as to develop a balanced understanding of their issues and concerns. The Board intends to review the number of meetings between the Senior Independent Director and shareholders during the 2016 financial year.

Corporate governance
Board of directors

Phil White CBE
Chairman
Age 65

Date appointed to Board/ as Chairman:
July 2006/January 2008

Tenure on Board:
9 years, 2 months

Independent: Yes

Committee memberships:
- Chair of the Nomination Committee
- Remuneration Committee

Relevant skills and experience:
- A chartered accountant with substantial operational and commercial experience, particularly within the transport and contracting sectors
- Significant level of listed company board experience gained in executive and non-executive roles
- Formerly chief executive of National Express Group plc from 1997 to 2006
- Experienced in mergers and acquisitions and strategy development

Principal external appointments:
- Chairman, Lookers
- Chairman, The Unite Group
- Non-Executive Director, Stagecoach Group
- Non-Executive Director, Vp

Haydn Mursell
Chief Executive
Age 44

Date appointed to Board/ as Chief Executive:
November 2010/July 2014

Tenure on Board:
4 years, 10 months

Independent: No

Committee memberships:
None

Relevant skills and experience:
- A chartered accountant, having trained and qualified at KPMG
- Significant sector experience through previous senior finance roles at Balfour Beatty and Bovis Lend Lease
- Operational leadership experience gained through previous responsibility for the Property division
- Detailed knowledge of the Group gained through previous role as finance director, in particular
- Strong track record in mergers and acquisitions, both at Kier and in previous organisations

Principal external appointments:
- None

Bev Dew
Finance Director
Age 44

Date appointed to Board:
January 2015

Tenure on Board:
8 months

Independent: No

Committee memberships:
None

Relevant skills and experience:
- A chartered accountant, having trained and qualified at Coopers & Lybrand
- Over 18 years' experience in the construction industry, with previous senior finance roles at Balfour Beatty, Lendlease, Redrow and Invensys Rail
- Significant experience in finance and capital structures
- Strong track record in cost control, cash flow management and pension scheme risk management
- Recent experience of ERP and other management information systems implementation programmes

Principal external appointments:
- None

Nigel Brook
Executive Director – Construction and Infrastructure Services
Age 57

Date appointed to Board:
March 2015

Tenure on Board:
6 months

Independent: No

Committee memberships:
None

Relevant skills and experience:
- A chartered quantity surveyor and a member of the Royal Institution of Chartered Surveyors
- Over 35 years' experience in the construction sector, having previously held roles at AMEC, Ballast and Miller Construction
- Significant experience in management and delivery of large and complex projects throughout the UK
- Strong track record of customer service and operational performance improvement
- Strong track record on health and safety matters

Principal external appointments:
- None

Nigel Turner
Executive Director – Developments and Property Services
Age 50

Date appointed to Board:
March 2015

Tenure on Board:
6 months

Independent: No

Committee memberships:
None

Relevant skills and experience:
- A chartered surveyor and a member of the Royal Institution of Chartered Surveyors
- Detailed knowledge of the property developments sector, in particular
- Significant commercial and transactional experience, having negotiated a large number of investments and other projects in his career
- Detailed knowledge of the Group's business units through their interaction with the Property business
- Experienced in dealing with lenders, joint venture partners and other key stakeholders

Principal external appointments:
- None

Claudio Veritiero
Executive Director – Group Strategy and Corporate Development Director
Age 41

Date appointed to Board:
March 2015

Tenure on Board:
6 months

Independent: No

Committee memberships:
None

Relevant skills and experience:
- Significant experience of a wide variety of corporate transactions during early part of career in investment banking at Rothschild
- Previous listed company board experience as an executive director of Speedy Hire
- Operational leadership experience within Kier through previous role as managing director of the Services division
- Strong record in mergers and acquisitions, both at Kier and in previous roles

Principal external appointments:
- None

Richard Bailey
Senior Independent Director
Age 63

Date appointed to Board:
October 2010

Tenure on Board:
4 years, 11 months

Independent: Yes

Committee memberships:
- Chair of the Risk Management and Audit Committee
- Nomination Committee
- Remuneration Committee

Relevant skills and experience:
- A chartered accountant, having trained and qualified at PwC
- Significant experience of public and private corporate transactions and financings through his role as a partner with Rothschild
- In-depth knowledge of financial matters, gained through advising clients in a variety of sectors, including construction, property, house building and financial services
- Detailed knowledge of best practice in risk management and internal control

Principal external appointments:
- Partner, N M Rothschild & Sons Ltd

Kirsty Bashforth
Non-Executive Director
Age 45

Date appointed to Board:
September 2014

Tenure on Board:
1 year

Independent: Yes

Committee memberships:
- Nomination Committee
- Remuneration Committee
- Risk Management and Audit Committee
- Safety, Health and Environment Committee

Relevant skills and experience:
- Significant experience in organisational effectiveness, principally through her previous role as Group Head of Organisational Effectiveness at BP
- A wide range of experience in a variety of human resources matters, including diversity and ethical working practices
- Strong track record of driving group-wide development and change programmes
- In-depth commercial, risk management and operational experience through various roles during over 24 years at BP

Principal external appointments:
- Governor at Leeds Beckett University (Finance Staffing & Resources Committee, Governor Champion Equality & Diversity)
- A number of the steering committees of the Two Percent Club and the Balanced Business Forum

Board of directors continued

Amanda Mellor
Non-Executive Director
Age 51

Date appointed to Board:
December 2011

Tenure on Board:
3 years, 9 months

Independent: Yes

Committee memberships:
- Chair of the Remuneration Committee
- Nomination Committee
- Risk Management and Audit Committee
- Safety, Health and Environment Committee

Independent: Yes

Relevant skills and experience:
- A Fellow of the Institute of Chartered Secretaries and Administrators
- A strong track record in governance, through her role as the Group Secretary and Head of Corporate Governance at Marks & Spencer
- Detailed knowledge in the design and implementation of employee and executive remuneration
- Considerable experience in investor relations and communications, through previous roles at Marks & Spencer and Arcadia Group
- Practical experience of risk management and internal control best practice

Principal external appointments:
- Group Secretary and Head of Corporate Governance, Marks & Spencer
- Member of the Council and Remuneration Committee, University of Leeds
- Visiting Professor in Business and Professional Ethics, University of Leeds

Nick Winser CBE
Non-Executive Director
Age 55

Date appointed to Board:
March 2009

Tenure on Board:
6 years, 6 months

Independent: Yes

Committee memberships:
- Chair of the Safety, Health and Environment Committee
- Nomination Committee
- Remuneration Committee
- Risk Management and Audit Committee

Independent: Yes

Relevant skills and experience:
- A chartered engineer and a Fellow of the Royal Academy of Engineering
- Significant experience of the energy sector, principally through his role as a member of the board of directors of National Grid from 2003 to 2014
- Experienced in dealings with regulators and Government
- A strong track record on health and safety and risk management through his role with National Grid

Principal external appointments:
- Chairman of the Energy Systems Catapult
- Vice President of the Institution of Engineering and Technology
- Chairman of CIGRÉ UK
- Chairman of the Power Academy
- Trustee of the MS Society
- Director of Way Ahead Support Services charity

Hugh Raven
General Counsel and Company Secretary
Age 43

Date appointed:
April 2010

Tenure:
5 years, 4 months

Independent: n/a

Committee memberships: n/a

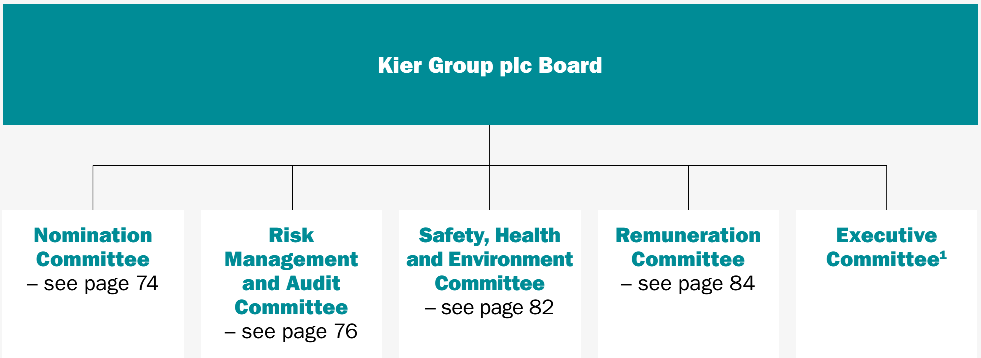
Relevant skills and experience:
- A solicitor, having qualified with Linklaters LLP, and a former partner of Eversheds LLP
- Significant experience of a wide variety of legal and regulatory issues, having advised a number of public and private companies
- Particular expertise in large corporate transactions, including capital raisings (debt and equity) and mergers and acquisitions
- Expertise in corporate governance matters and best practice

Principal external appointments:
- None

Corporate governance
Leadership and effectiveness

Governance structure

An outline of Kier's governance structure is as follows:



[1] Comprises the executive directors, with the Company Secretary as secretary.

The Board

The Board is responsible for the effective leadership of the Group. The Group's management and governance framework, which is summarised above, has been implemented to support the Group's long-term growth objectives.

The diverse range of skills and leadership experience of the non-executive directors enables them to scrutinise performance, assess the Group's risk management and control processes, provide constructive challenge and support the executive directors.

There are typically 10 scheduled Board meetings during the year; additional meetings are arranged if required. The Board committee meetings are typically scheduled around the regular Board meetings.

Biographical details of each of the directors are set out on pages 64 to 66 (inclusive).

Board composition

As at 30 June 2015, the Board comprised the Chairman, five executive directors and four other non-executive directors.

During the course of the year, the following appointments were made to the Board:

- Kirsty Bashforth (Non-Executive Director), with effect from 1 September 2014;
- Bev Dew (Finance Director), with effect from 1 January 2015;
- Nigel Brook (Executive Director – Construction and Infrastructure Services), with effect from 6 March 2015;
- Nigel Turner (Executive Director – Developments and Property Services), with effect from 6 March 2015; and
- Claudio Veritiero (Group Strategy and Corporate Development Director), with effect from 6 March 2015.

Steve Bowcott, the former Chief Operating Officer, stood down from the Board with effect from 27 April 2015.

On 30 July 2015, we announced that Justin Atkinson had been appointed as a non-executive director with effect from 1 October 2015.

Corporate governance
Leadership and effectiveness continued

Division of responsibilities
A clear division of responsibilities is important for the effective working of the Board. The Chairman and the Chief Executive work together to provide effective and complementary stewardship of the Board and the Company. The roles of the Chairman, the Chief Executive and the Senior Independent Director are clearly defined, as summarised below:

Role	Description
Chairman Phil White	• Responsible for the Board's effectiveness • Sets the agenda for Board meetings, ensuring that the directors receive accurate, timely and clear information • Facilitates the effective contribution of the non-executive directors • Responsible for effective communication with shareholders
Chief Executive Haydn Mursell	• Responsible for the operational management of the Group • Accountable to the Board for the implementation of the Group's strategy • Meets regularly with other members of senior management, focusing on a variety of matters, including strategy, significant operational issues, succession planning and other material issues facing the Group
Senior Independent Director Richard Bailey	• Acts as chairman of the Board if the Chairman is conflicted • Acts as a conduit to the Board for the communication of shareholder concerns if other channels of communication are not appropriate • Ensures that the Chairman is provided with effective feedback on his performance

The Company Secretary acts as the secretary to the Board and each of its committees. The Chairman meets the Senior Independent Director and the Company Secretary to discuss Board and governance matters. In addition, the Chairman holds meetings with the non-executive directors without the executive directors being present. The Senior Independent Director also holds meetings with the non-executive directors without the Chairman being present at least once a year.

Re-election of directors
In accordance with the requirements of the Code, each of the current directors will offer himself/herself for election or re-election (as the case may be) at the AGM on 12 November 2015. As it is the first AGM since their appointments, resolutions will also be proposed to elect Kirsty Bashforth, Bev Dew, Nigel Brook, Nigel Turner, Claudio Veritiero and Justin Atkinson as directors.

Following the evaluation of the Board's performance during the year, it is confirmed that the performance of each of the non-executive directors continues to be effective and that they are each considered to demonstrate appropriate commitment to the role.

Time commitment
Directors are made aware at the time of appointment of the time commitment required to discharge their Board and committee responsibilities effectively. The terms and conditions of appointment for the executive directors and non-executive directors will be available at the 2015 AGM and can, at other times, be inspected at the Company's registered office.

All executive directors may serve on another board of directors, provided that they can demonstrate that any such appointment will not interfere with their time commitment to the Company and that they obtain the agreement of the Chairman to the appointment before acceptance. The major commitments of the executive and non-executive directors are outlined in their biographies on pages 64 to 66 (inclusive). The Nomination Committee remains satisfied that all non-executive directors have sufficient time to meet their commitments to the Company and that the Chairman's other commitments do not interfere with the performance of his day-to-day duties to the Company.

Board committees
The Board has delegated certain responsibilities to its committees. The terms of reference for each committee are reviewed annually and are available on the Company's website at http://www.kier.co.uk/corporategovernance. The principal activities of each of these committees during the year are set out in their respective reports on pages 74 to 106 (inclusive). Executive directors also attend meetings of the Board committees when required by the chair of the relevant committee to do so. Details of the attendance at the Board committees meetings during the year are set out in the table on page 69.

The current membership of each Board committee is as follows:

	Risk Management and Audit	Remuneration	Nomination	Safety, Health and Environment
Richard Bailey	✓•	✓	✓	–
Kirsty Bashforth	✓	✓	✓	✓
Amanda Mellor	✓	✓•	✓	✓
Phil White	–	✓	✓•	–
Nick Winser	✓	✓	✓	✓•

• Denotes the chair of the relevant committee.

Board meetings

Details of the number of meetings of the Board and its committees held during the year, and attendance of directors at those meetings, are set out below. Meetings are normally held in Tempsford Hall, in London or at one of the Group's regional locations or sites. For example, the October 2014 Board meeting was held in Dubai, enabling the Board also to conduct visits to the Group's sites in the region.

Key activities

The duties of, and those decisions which can only be made by, the Board are clearly defined in the schedule of matters reserved for the Board.

The matters requiring Board approval include, amongst others:

- The Group's strategic plans;
- Mergers, acquisitions and disposals of a material size and nature;
- Material changes to the Group's structure and capital;
- The payment of dividends; and
- The approval of material Group policies.

The schedule of matters reserved for the Board are available on the Company's website at http://www.kier.co.uk/corporategovernance.

Board and committee meeting attendance

The number of Board and committee meetings attended by each director during the 2015 financial year is as follows:

	Board (10)	Risk Management and Audit Committee (5)	Remuneration Committee (3)	Nomination Committee (3)	Safety, Health and Environment Committee (5)
Richard Bailey	10	5	3	3	–
Kirsty Bashforth[1]	9	5	3	3	5
Steve Bowcott[2]	6	–	–	–	–
Nigel Brook[3]	4	–	–	–	–
Bev Dew[4]	5	–	–	–	–
Amanda Mellor[5]	10	5	3	3	4
Haydn Mursell	10	–	–	–	–
Nigel Turner[3]	4	–	–	–	–
Claudio Veritiero[3]	4	–	–	–	–
Phil White	10	–	3	3	–
Nick Winser	10	5	3	3	5

1 Kirsty Bashforth was appointed to the Board with effect from 1 September 2014 and attended all Board and committee meetings since that date.
2 Steve Bowcott retired from the Board with effect from 27 April 2015 and attended all Board meetings up to (and including) the February 2015 meeting.
3 Nigel Brook, Nigel Turner and Claudio Veritiero were appointed to the Board with effect from 6 March 2015 and attended all Board meetings since that date.
4 Bev Dew was appointed to the Board with effect from 1 January 2015 and attended all Board meetings since that date.
5 Amanda Mellor was unable to attend the March 2015 Safety, Health and Environment Committee meeting due to jury service. Amanda was provided with the papers and gave her comments in advance of the meeting.

Corporate governance
Leadership and effectiveness continued

The key issues considered at Board meetings during 2015 are summarised in the table below:

Issue	Frequency [1,2]	How addressed
Review of safety, financial and operational performance	1	The Chief Executive's report on safety, financial and operational performance, tenders and order book, investor relations and material human resources issues
	1	The Finance Director's report on financial performance, working capital management, forecasts and share price performance
	1	Reports from the executive directors with operational responsibilities as to their businesses' safety, financial and operational performance
	2	Review and approval of latest forecasts and budgets
Leadership, governance and strategy	1	The Group Strategy and Corporate Development Director's monthly report on progress against Vision 2020
	1	Review of directors' share dealings
	2	Review and approval of the Mouchel acquisition
	2	Appointment of new directors and succession planning
	2	Feedback from meetings of the Board's committees
	2	Evaluation of the Board and its committees
	2	Review and authorisation of any conflicts of interest
Accountability, control and risk management	2	Review and approval of 2014 annual report and 2015 interim results. Approval of final dividend for 2014 and interim dividend for 2015
	2	Review and approval of trading updates
	2	Consideration of reports from the chair of the RMAC on internal control and risk management
	2	Consideration of risk management procedures and key risks and uncertainties facing the Group
Relations with shareholders	2	Consideration of matters relating to the 2014 AGM
	2	Consideration of feedback from investors received following release of results or during routine meetings with Board members

1 Standing agenda item for all Board meetings.
2 Item tabled on a periodic basis.

Information and support

The Board is provided with regular and timely information on the financial and operational performance of the businesses within the Group, together with reports on health and safety, strategic and risk management matters and other relevant issues.

The Company Secretary is the secretary to the Board and each of its committees. Prior to each Board or committee meeting, the Company Secretary ensures that the papers are made available to the directors in sufficient time in advance of the meeting. These papers are made available on a secure electronic portal, enabling information to be provided in a timely and secure manner.

All directors have access to the advice and services of the Company Secretary and the directors are also able to seek independent professional advice, if necessary, at the Company's expense.

Induction and training

Directors are provided with a comprehensive information pack on joining the Company and are advised of their legal and other duties and obligations as a director of a listed company. In addition, all new directors receive an induction on their appointment, covering such matters as the operational activities of the Group, the role of the Board and the Company's corporate governance procedures.

Kirsty Bashforth joined the Board with effect from 1 September 2014. Kirsty's induction included:

- A briefing on the responsibilities of a director of a listed company;
- A briefing on Kier's culture, strategy, policies and processes;
- Briefings from senior management and members of the business;

- Briefings from external advisers, including the auditor, the corporate brokers and the financial PR advisers; and
- Site visits to certain of the Group's projects.

The four other directors who joined the Board during the course of the year have also received similar inductions, tailored to reflect the fact that they were appointed as executive directors and were either internal promotions or had previous executive experience of working within a contracting business.

Directors are encouraged to update their knowledge and skills as they consider appropriate and training is available upon request via the Company Secretary. The Board is also briefed by the Company's external advisers, where appropriate, on changes to legislation, regulation or market practice, as well as receiving briefings from representatives of the business units and the functions throughout the year.

"Kier's induction programme gave me a full understanding of the role and responsibilities of a non-executive director. The programme was comprehensive and tailored to suit my need to understand the Group's operations, business and governance structure."

Kirsty Bashforth

Performance evaluation

In the 2014 annual report, we identified the Board's priorities for 2015, following the 2014 performance evaluation. The Board has made good progress against each of these priorities, as summarised below:

2014 feedback	Progress
Focus on senior management succession planning	• Appointment of three internal promotions to the Board in March 2015 • Nomination Committee discussions relating to the potential future composition of the Board
Set aside sufficient time for strategy	• Appointment of Claudio Veritiero to the Board, as Group Strategy and Corporate Development Director • Updates on progress against Vision 2020 at each Board meeting
Enhance the quality of information provided to the Board	• Significant progress on improving the quality of the Board papers, as confirmed by the 2015 evaluation • Establishment of Board reference documents portal
Review schedule of Board and Board committee meetings to enable the Board to develop its knowledge of the business	• During the course of the year, the schedule was reviewed and discussed in detail and a number of site visits undertaken (both in the UK and overseas) • Members of senior management were invited to attend Board or Board committee meetings to provide briefings on specific matters
Strengthen the resources available to support the Board	• The company secretariat function was reviewed and strengthened during the year • The new Group HR Director was appointed to provide support to the Remuneration and Nomination Committees

In keeping with the Code, the Board typically undertakes an external performance evaluation every three years, with internal evaluations in the intervening years. The most recent external evaluation was carried out in 2014; accordingly, the 2015 evaluation was conducted using internal resources.

The 2015 evaluation was led by the Chairman, with the assistance of the Company Secretary, and was conducted using a questionnaire covering the operation and performance of the Board, its committees and individual directors. Each director was asked to complete and return the questionnaire to the Company Secretary who, in turn, summarised the feedback in a report for discussion by the Board.

A summary of the matters covered by the questionnaire is as follows:

Risk

- Assessment of risk management approach
- Effectiveness of the RMAC.

Relationship management

- Effectiveness of communications with principal stakeholders
- Appropriateness of reaction to events (positive or negative)
- Assessment of quality of communication channels between the Board and senior management.

Corporate governance
Leadership, effectiveness and accountability continued

Board culture
- Board culture, dynamics and conduct
- Quality of debate and decision-making
- Assessment of the opportunity and ability to contribute, individually and collectively.

Board composition
- Board size, composition, skills and experience
- Effectiveness of succession planning
- Effectiveness of the Nomination Committee.

Chairman/Chief Executive
- Assessment of the Chairman's leadership style
- Effectiveness of the Chairman and Chief Executive's working relationship.

Administration
- Quality of information and the timeliness of papers
- Quality of company secretariat support
- Induction on appointment and availability of training.

Meetings
- Schedule of Board and Board committee meetings
- Appropriateness of the Board agenda and time allocation
- Constructive use of the AGM.

So as to be able to conduct a meaningful evaluation of the performance of the Board in light of the changes to the executive director composition which took place in January and March 2015, it was decided that the process would begin towards the end of the financial year. At the date of this annual report, the 'action plan' arising from the feedback remains under discussion by the Board. However, a summary of the principal areas of feedback from the 2015 evaluation, on which the action plan will be based, is as follows:

Strengths
- Improved focus on developing, discussing and implementing strategy, as demonstrated by the appointment of the Group Strategy and Corporate Development Director to the Board
- Strong chairmanship and robust performance of the Board with respect to the Mouchel acquisition
- Effective implementation of the succession plan through the appointment of three internal candidates to the Board in March 2015
- Effective understanding of the views of major shareholders.

Areas of focus for 2016
- Continuing the focus on developing and implementing strategy
- The need to appoint a non-executive director with contracting experience and recent experience as an executive director on a listed company's board of directors. Justin Atkinson has, subsequently, been appointed to the Board with effect from 1 October 2015
- The continued development of the new directors as Board members, rather than as senior members of management below the Board
- The continued focus on succession planning, the operation of the Nomination Committee and the composition of the Board
- The need to continue to review the administration of the Board and its committees to enable effective decision-making.

Accountability

Fair, balanced and understandable
The Board is committed to presenting a fair, balanced and understandable assessment of the Group's position and prospects in its communications with shareholders. The Board has delegated responsibility for ensuring that this annual report is fair, balanced and understandable to the RMAC; details of the steps taken by the RMAC, and the business, to do so are set out in the Risk Management and Audit Committee Report on pages 76 to 81 (inclusive). Following completion of the review process, the Board is of the opinion that the annual report is a fair and balanced representation of the Group's performance during the 2015 financial year and provides the necessary information for shareholders to assess the Group's performance over the period, together with its business model and strategy.

Risk management and internal controls
The Board is responsible for the Group's systems of risk management and internal control. It is also responsible for determining the nature and extent of the significant risks that it is prepared to accept in achieving the Group's strategic objectives. The principal risks and uncertainties associated with the Group are summarised on pages 33 to 37 (inclusive).

The Board has delegated responsibility for reviewing the effectiveness of the Group's systems of internal control, including those established to identify, assess, manage and monitor risk and to provide assurance, to the RMAC so that these matters can receive particular focus and attention but, in so doing, the RMAC acts on behalf of the Board and its activities remain the responsibility of the Board.

Further details of the Group's internal control and risk management systems, including those relating to the financial reporting process, are set out in the Risk Management and Audit Committee Report on pages 76 to 81 (inclusive).

Corporate governance
Relations with shareholders

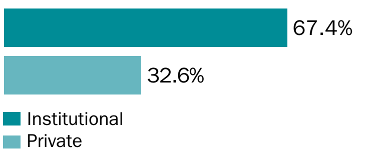
Meetings with investors

In July 2014, we held a capital markets day and announced Vision 2020 for the first time. The presentation provided investors and analysts with the opportunity to meet senior members of management below the Board, each of whom delivered a presentation about their respective businesses.

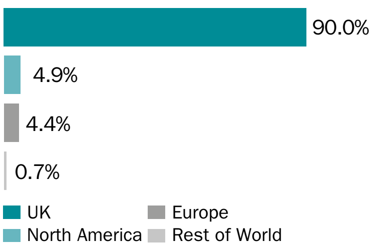
Also during the course of the year, members of senior management engaged with shareholders and prospective shareholders in relation to the acquisition of Mouchel and the associated rights issue. Whilst such engagement primarily focused on the merits of the acquisition, it also provided senior management with an opportunity to discuss shareholders' views in general about the Group's performance and prospects.

Details of the Company's shareholders by type, geography and concentration at 30 June 2015 are as follows:

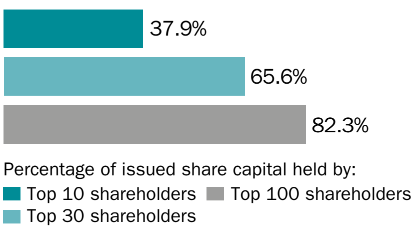
Shareholders by type (%)



Shareholders by geography (%)



Shareholders by concentration (%)



Relations with shareholders

Members of the Board welcome the opportunity to engage with shareholders and to understand their views on matters of importance to them – for example, strategy, governance, remuneration and sustainability.

The Chairman of the Board meets regularly with individual shareholders to obtain their views on a variety of matters (including governance and strategy), as does the chair of the Remuneration Committee in relation to remuneration matters.

During the course of the year, the Company engaged with a range of stakeholders (including shareholders) in relation to its corporate responsibility ('CR') programme. It also liaised with a number of shareholders in relation to environmental, social and governance issues, in particular obtaining their views on its CR strategy and reporting, to ensure that the Group's priorities are aligned with those of its key stakeholders. Further information can be found on pages 28 to 31 (inclusive).

The Company also regularly communicates to and meets investors, investment analysts and brokers, delivering detailed presentations when it releases its annual and interim results and, where appropriate, its interim management statements. These assist the Board to understand the views of key stakeholders about the Group's performance and its strategic objectives.

During the course of the year, we held a capital markets day to announce Vision 2020 and there was also significant engagement with shareholders with respect to the acquisition of Mouchel and its associated rights issue.

Constructive use of the AGM

The Board uses the AGM as an opportunity to communicate directly with shareholders.

All members of the Board attend the Company's AGMs and shareholders are invited to attend, ask questions and meet directors prior to, and after, the formal proceedings. The chairs of the Board committees are present at the meeting to answer questions on the work of their committees.

The results of the voting at the 2014 AGM were:

		For	Against
	Resolution	Percentage of votes cast[1]	Percentage of votes cast
1	Receive annual report and accounts	99.91	0.09
2	Directors' remuneration policy	98.87	1.13
3	Remuneration report	88.52	11.48
4	Declare final dividend	99.99	0.01
5–11	Appointment of directors	88.66–99.63	11.34–0.37
12	Appointment of auditor	98.61	1.39
13	Auditor's remuneration	92.79	7.21
14	Authority to allot shares	99.18	0.82
15	Disapplication of pre-emption rights	99.77	0.23
16	Meetings on 14 days' notice	95.93	4.07

1 Includes those votes for which discretion was given to the Chairman.

Corporate governance
Nomination Committee Report

Dear shareholder,
I am pleased to present the Nomination Committee Report for 2015.

This report provides a summary of the Committee's work during 2015. As you will be aware, there have been a number of changes to the Board during the course of the year and, as a result, the Committee has been extremely active.

I will be available to answer any questions about the work of the Committee at the AGM on 12 November 2015. There will also be an opportunity to meet the members of the Board who have been appointed during the course of the year.

Role
The role of the Committee includes:

- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes;
- Giving full consideration to succession planning for the Board and other senior executives, taking into account the challenges and opportunities facing the Group and the skills and expertise needed on the Board in the future;
- Being responsible for identifying and nominating for the approval of the Board any candidates to fill Board vacancies; and
- Before any appointments made by the Board, evaluating the balance of skills, knowledge, experience and diversity on the Board.

The terms of reference for the Committee can be viewed on the Company's website at http://www.kier.co.uk/corporategovernance.

Composition and meeting attendance
The members of the Committee are:

- Phil White (Chair)
- Richard Bailey
- Kirsty Bashforth
- Amanda Mellor
- Nick Winser

At the invitation of the Committee, any other director or other person may attend meetings of the Committee. The secretary of the Committee is the Company Secretary.

Details of attendance at Committee meetings during the 2015 financial year are set out on page 69.

Principal activities – 2015
A summary of the Committee's principal activities in the 2015 financial year is as follows:

Review of Board composition
During the year, we reviewed the Board's composition to ensure that it had the correct balance of skills, experience and independence in light of the

Group's plans for future growth. We concluded that the Board required greater representation from operational management to support the continued growth of the underlying business.

We therefore decided that, so as to strenghten the link between the operations and the Board, Nigel Brook would be appointed to the Board as Executive Director – Construction and Infrastructure Services, along with Nigel Turner as Executive Director – Developments and Property Services. In addition, and so as to assist the Board to continue to develop and implement its strategy, we appointed Claudio Veritiero to the Board as the Group Strategy and Corporate Development Director.

As a result of these changes, it was agreed that the former Chief Operating Officer, Steve Bowcott, would stand down from the Board with effect from 27 April 2015. I would like to thank Steve for his significant contribution to both the business and the Board.

New non-executive director

As a result of the changes to the executive director representation on the Board, we decided that it would be appropriate to appoint an additional non-executive director, not only to comply with the requirements of the Code with respect to the balance and independence of the Board but also to ensure that the Board, as a whole, has an appropriate range of skills, experience and knowledge to lead the Group in the next stage of its growth.

As a committee, we concluded that the candidates should have an in-depth knowledge of either the construction or services sectors, should have recent and relevant experience as an executive director of a listed company and should be familiar with overseas businesses. We therefore engaged Russell Reynolds Associates ('Russell Reynolds') to assist the Committee to identify potential candidates. A role profile was agreed with Russell Reynolds, which then produced a 'long list' of candidates and, following discussions with the Company, a 'short list'. Interviews were held with members of the short list, before Justin Atkinson, formerly the chief executive of Keller Group plc, was identified as the preferred candidate by the Committee. The Committee is satisfied that Russell Reynolds, in providing its services to the Committee, did not have any connections with the Company.

Each member of the Board and the Company Secretary then met Justin to further assess his skills and experience for the role. Justin also took the opportunity to conduct thorough due diligence on the role and the Company, including meeting a number of our advisers. The process concluded with a formal recommendation from the Committee to the Board and, on 30 July 2015, we were delighted to announce Justin's appointment (effective 1 October 2015).

New director inductions

As disclosed in the 2014 annual report, Kirsty Bashforth joined the Board with effect from 1 September 2014. During the course of the financial year, the Committee successfully oversaw the completion of Kirsty's induction.

The Committee has also overseen the induction of each of the four executive directors who were appointed during the year and will work with Justin Atkinson to ensure that he also receives a full, formal and tailored induction.

Further details of our Board inductions are set out on pages 70 and 71.

Succession planning

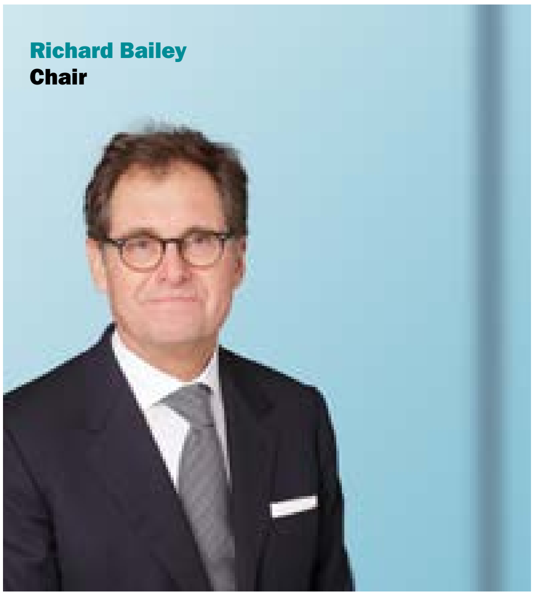
As a committee, we are keen to ensure that a strong pipeline of future senior management has been identified, from which future Board appointments may be made. In particular, our focus will be on ensuring that we have the right mix of skills and experience so that the Board can lead a group which has changed significantly since the acquisitions of May Gurney and Mouchel whilst also overseeing the delivery of Vision 2020. In particular, we will be challenging management to ensure that, immediately below the Board, there is a robust pipeline of potential future Board members.

During the course of the year, the Committee discussed the Group's succession plan for senior management. Each of the three individuals appointed in March 2015 had previously been included on the succession plan and we were, therefore, delighted to recommend their appointments to the Board. We look forward to working with the newly-appointed Group HR Director to continue to ensure strong succession planning.

We recognise that diversity is an important element of succession planning. We also recognise that diversity at Board level and across the Group, including with respect to gender, is critical to our continued success. Although we continue to welcome the provisions of the Code which require the consideration of diversity at Board level, we do not consider that the setting of targets is necessarily in the best interests of the Group and, instead, prefer to consider all aspects of diversity (including gender) when assessing the composition of the Board and any future appointments.

Phil White
Chair of the Nomination Committee
16 September 2015

Corporate governance
Risk Management and Audit Committee Report



Dear shareholder,
I am pleased to present the Risk Management and Audit Committee Report which summarises the work of the Committee during the 2015 financial year. I will be available at the AGM on 12 November 2015 to answer any questions you may have about the Committee's work and the Group's systems of risk management and internal control.

During the year, the Committee has supported the Board in maintaining sound financial reporting, risk management and internal control procedures. Further details of the Committee's role are summarised under 'Role' below.

I have regular meetings with the Group's external and internal auditors, the Finance Director, the Group Financial Controller and the Head of Group Risk and Assurance to discuss matters which are relevant to the Committee's work. To assist us in understanding the business and the risks associated with it, I and other members of the Committee visited a number of the Group's sites during the year and met members of management below the Board to discuss matters relevant to the Committee. These visits and meetings, together with the reports we receive throughout the year, supported the effective operation of the Committee.

To achieve effective compliance with regulatory requirements, the Committee's terms of reference are reviewed annually. The terms of reference were reviewed at the June 2015 Committee meeting and were updated to reflect the requirements introduced by the September 2014 edition of the UK Corporate Governance Code ('the Code'), which became effective for accounting periods beginning on or after 1 October 2014 and will, therefore, apply to Kier's 2016 financial year.

The principal changes to the Code extended the Board's responsibilities to confirm that it has undertaken a robust assessment of the principal risks associated with the Group's business model, future performance, solvency and liquidity; to provide a statement of the longer-term prospects and viability of the Group; and to monitor the Company's risk management and internal control systems on a continuing basis. I believe that the Committee is properly prepared to support the Board in relation to these additional requirements during the 2016 financial year and will work with its external advisers and management in order to do so.

Role
The primary elements of the Committee's role are to:

- Monitor the Group's financial reporting procedures and the effectiveness of the external audit;
- Examine the integrity of the Group's financial statements and challenge significant financial reporting and other judgements in relation to the financial statements;

- Review the adequacy and effectiveness of the Group's systems of internal control and risk management;
- Review the adequacy of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible misdemeanours, known as 'whistle-blowing';
- Review the Group's procedures for detecting fraud;
- Appraise the effectiveness of the Group's internal audit function, agreeing the topics to be addressed each year and reviewing the results of its work; and
- Test the independence and objectivity of the external auditor (in accordance with the requirements of the Code) and approve any non-audit services provided by the external auditor.

The terms of reference for the Committee can be viewed on the Company's website at http://www.kier.co.uk/corporategovernance.

Composition and meeting attendance

The members of the Committee are:

- Richard Bailey (chair)
- Kirsty Bashforth
- Amanda Mellor
- Nick Winser

I am a chartered accountant and a partner in Rothschild, the investment bank. In light of my significant experience from advising companies over 35 years, I am considered by the Board to have recent and relevant financial experience.

The Committee met formally five times during the 2015 financial year. Each of the members of the Committee attended those meetings. The following were also in attendance:

- The Finance Director, the Group Financial Controller and the Head of Group Risk and Assurance (which includes the internal audit function);
- The other executive directors, when required to do so to provide information about specific matters;
- Representatives from PwC for agenda items relating to the 2015 external audit or internal audit matters (prior to its appointment as the external auditor at the 2014 AGM); and
- Representatives from KPMG for agenda items relating to internal audit matters or the 2014 external audit (prior to PwC's appointment as the external auditor).

The secretary of the Committee is the Company Secretary. Details of attendance at Committee meetings during the 2015 financial year are set out on page 69.

Principal activities in the 2015 financial year

The following matters were considered during the Committee meetings which took place during the year:

	Sept	Dec	Feb	Mar	June
Financial reporting					
Full-year results and announcements	•				•
Half-year results and announcements			•		
Going concern	•		•		
Dividend	•		•		
External audit					
General update	•		•		•
Management representation letter	•		•		
Evaluation of external auditor's effectiveness	•				
Recommendation of appointment	•				
Non-audit fees	•	•	•	•	•
External audit plan					•
Internal audit					
General update	•	•	•	•	•
Evaluation of internal auditor's effectiveness[1]		•			
Approval of internal audit plan					•
Other					
Risk management (including 'whistle-blowing')		•	•	•	•
Compliance with corporate governance requirements (including 'fair, balanced and understandable' requirement)	•	•	•	•	
Review of terms of reference					•
ERP programme implementation				•	•

1 The Committee discussed the process for assessing the effectiveness of the internal audit function at the December 2014 meeting. The Committee will review KPMG's effectiveness during the 2016 financial year. See 'Internal audit' on pages 78 and 79.

Risk management and internal controls

The Board has ultimate responsibility for the Group's risk management and internal control systems. The Board is also responsible for determining the nature and extent of the risks that it is prepared to take.

Corporate governance
Risk Management and Audit Committee Report continued

The Head of Group Risk and Assurance reports to the Committee on strategic risk issues and has oversight of the Group's risk management procedures. Management is responsible for the identification and evaluation of the risks that apply to the Group's business and operations, together with the design and implementation of controls which are designed to manage those risks.

The management of the Group's operations includes a sound assessment of risk. Risk registers are prepared at business unit, divisional and Group level. Those registers identify internal and external factors and risks, including those relating to contract delivery, tender pricing, the Group's IT systems and the Group's funding requirements. These risks, and the controls designed to mitigate them, are continuously monitored. A report of the principal risks and an assessment of those controls, based on the consolidation of the Group's risk registers, is reviewed by the Committee on a quarterly basis. Please see page 32 for further information on how the Group identifies and manages risk.

During the year, the Committee increased the strength of the risk assessment process and the level of independent review and challenge to it. For example, subject matter experts have been assigned to the identified principal risks and are responsible for providing support and challenge to the business in assessing and managing them.

The Group's management of risk is designed to mitigate, but cannot completely eliminate, the risks faced by the Group. Examples of the principal aspects of the Group's risk management framework include:

- The Risk Review Committee, which reviews risks arising during tenders for new contracts;
- The Investment Committee, which reviews risks relating to investment decisions taken by the Group;
- The Group's standing orders that set out delegated authorities within which the Group operates. These are supplemented by standing orders which apply at divisional and business unit levels; and
- A number of group-wide committees which ensure that key risks are managed appropriately. These include the Safety, Health and Environment Committee and committees which focus on the management of IT risks relating to the Group.

To reinforce this structure, the Group has a 'whistle-blowing' arrangement which enables employees to raise concerns, in confidence, over possible misdemeanours. The Committee considers the arrangement to be appropriate and continues to monitor its effectiveness.

The Code and the Committee's terms of reference require the Committee, at least annually, to conduct a review of the effectiveness of the Group's risk management and internal control systems on behalf of the Board. The Committee reviewed the output from the quarterly risk management process, the annual control self-assessment process and a number of internal audit reviews carried out by KPMG across the Group's operations. These reviews confirmed that, in general, the Group's risk management and internal control systems are effective, and support the production of appropriate financial information, but also identified a number of areas in which more efficient systems are required to reflect the Group's recent growth and to support the delivery of Vision 2020. Those areas principally relate to the need for the consistent application of control processes and systems and the effective centralisation of certain back-office functions. During the 2016 financial year, the Committee will oversee management's response to the recommendations made by KPMG in its internal audit reviews.

Internal control and risk management systems – financial reporting process

The Group has clear policies and procedures (for example, those contained in the Group Finance Manual) to ensure the conformity, reliability and accuracy of financial reporting, including the process for preparing the Group's interim and annual financial statements.

The Group recruits suitably qualified and experienced finance professionals who have responsibility for the financial reporting process. Duties are segregated, with clear lines of accountability and delegation of authority. The Group's financial reporting policies and procedures cover financial planning and reporting, preparation of financial information and the monitoring and control of capital expenditure. The Group's financial statements review process includes reviews at business unit, divisional and Group levels.

Details of the Committee's involvement in the external audit process are set out below. When fulfilling its obligation to review the integrity of the Group's financial statements, the Committee receives support from the Group's other functions, including the company secretariat, legal, compliance and internal audit functions, and other Board committees.

Internal audit

Change of internal auditor

Prior to its appointment as external auditor with effect from the 2014 AGM, PwC resigned as internal auditor. At the conclusion of a tender process, the Committee recommended the appointment of KPMG as the Group's new internal auditor. The Committee oversaw the transition from PwC to KPMG during the 2015 financial year.

Internal audits – 2015 financial year

During the 2015 financial year, the Committee monitored the implementation and progress of the 2015 internal audit plan which was reviewed and approved by the Committee at its June 2014 meeting. Upon its appointment, KPMG continued with this programme of internal audits. Results from each completed audit were discussed by the Committee, together with the management actions taken with respect to those audits.

Internal auditor effectiveness

The Code and the Committee's terms of reference require the Committee to monitor and review the effectiveness of the Company's internal audit function. The Committee believes that, in order for it to assess KPMG's effectiveness, KPMG needs to have completed a sufficient number of internal audits. Therefore, the Committee intends to conduct a formal assessment of KPMG's performance in the 2016 financial year and will provide details of the results of this assessment in the 2016 annual report. The Committee is satisfied that the transition to KPMG was completed efficiently and effectively and that the internal audit function fulfilled its objectives for the year.

External audit

The Committee is responsible for:

- Monitoring the effectiveness of the external audit process;
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor;
- Approving the remuneration and terms of engagement of the external auditor;
- Reviewing and monitoring the external auditor's independence and objectivity; and
- Developing and implementing a policy on the engagement of the external auditor to supply non-audit services.

External auditor appointment process

Following a comprehensive tender process, PwC was appointed as the Group's external auditor for the 2015 financial year at the 2014 AGM.

During the year, the Committee oversaw the handover from KPMG and ensured that PwC familiarised itself with the Group. In order to do so, PwC met key employees and members of management, including a number of individuals from outside of the finance function, on formal and informal occasions, and visited a number of the Group's sites.

External auditor effectiveness

The Committee is pleased with the insights provided by the new audit team and its performance to date. The Committee has begun the process of formally assessing PwC's effectiveness by asking members of the Committee, the executive directors and individuals who have worked with PwC during the 2015 financial year to provide their feedback. This process will conclude after the completion of the 2015 audit and further details will be included in the 2016 annual report.

A similar review was conducted by the Committee with respect to the outgoing auditor, KPMG, where feedback was sought from key individuals as to KPMG's performance. No material issues were raised during the assessment. The Committee would like to thank KPMG for many years of excellent service.

PwC has indicated its willingness to continue in office and the Committee has recommended PwC's re-appointment to the Board which will, in turn, propose a resolution to this effect at the 2015 AGM.

External auditor independence and non-audit services

During the 2015 financial year, PwC provided non-audit services to the Group. The Committee monitors the level and scope of non-audit work awarded to PwC to ensure that any services provided are within relevant ethical guidance and that the associated fees are not of a level that would affect PwC's independence and objectivity. All fees relating to the provision of non-audit fees by PwC must be referred to and agreed by the Committee.

The fees paid to PwC during the 2015 financial year in respect of non-audit services were £496,000, as follows:

Type of services	Specific services	Amount (£000)
Non-audit assurance	Project assurance in relation to ERP project	25
	Mersey Gateway project joint venture governance review	30
	Sustainability reporting assurance	50
	Interim review – 2015 financial year	35
Tax advice and compliance	Flexible subsistence advice and tax compliance services	50
	Tax compliance and consultancy services in Trinidad	6
Transaction advice	Reporting accountant's work for Mouchel, carried out at the request of Kier	300
Total		**496**

The total audit fees payable by the Group with respect to the 2015 financial year were £1,240,000, of which £820,000 related to the audit of Kier's 2015 financial statements and £420,000 related to the audit of Mouchel's 2015 financial statements, Mouchel's previous accounting reference date having been changed from 30 September to 30 June upon completion of its acquisition by Kier. The total non-audit fees during the 2015 financial year represented approximately 40% of the audit fees payable in respect of the year. During the 2014 financial year, £855,000 was paid to the external auditor, KPMG, in relation to non-audit fees, representing approximately 101% of the audit fees for that year. All figures exclude VAT.

Corporate governance
Risk Management and Audit Committee Report continued

PwC has strict requirements on rotation and the lead audit partner is required to change after five years and other senior team members are required to change after seven years. PwC also provides the Committee with information on how it manages its independence and objectivity.

As part of the 2015 audit process, 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's independence as external auditor had not been compromised notwithstanding the level of non-audit fees incurred during the year.

Financial statements – 2015
The 2015 audit

The scope of the 2015 audit was discussed and approved by the Committee at its meeting in June 2015. The Committee reviewed and challenged the proposed plan and considered the levels of materiality and resources proposed by PwC to ensure that they met the Group's requirements. The audit fee was also discussed with the Committee prior to its approval.

During the 2015 audit, I met the lead audit partner from PwC to discuss the audit process and its findings. At its September 2015 meeting, the Committee reviewed PwC's findings and discussed the significant issues that arose during the audit. In particular, the Committee and PwC discussed the key accounting and audit judgements and reviewed any unadjusted audit differences which had been identified.

Significant issues and other accounting judgements

The Committee is responsible for reviewing the appropriateness of management's judgements, assumptions and estimates in preparing the financial statements. Drawing on its own experience, and after discussions with management and PwC, the Committee determined that the significant issues and other accounting judgements relating to the 2015 financial statements were as follows:

Significant issue and other accounting judgement	How the issue or accounting judgement was considered
Acquisition accounting for Mouchel	The Group acquired Mouchel on 8 June 2015. Accounting for the acquisition required an assessment of the fair value of the assets and liabilities acquired, including the valuation of any separately identifiable intangible assets and goodwill. During due diligence relating to the acquisition, the Company identified a number of exposures in Mouchel which were not previously recognised in its balance sheet. Management worked with its external advisers on the transaction to agree the amount of the fair value adjustment, which was also considered by the Board when considering the acquisition. The Committee is satisfied that the fair value adjustment which has been included in the 2015 financial statement reflects management's best estimate of the exposures which were identified. The due diligence exercise also focused on contract assumptions and judgements, including those relating to profitability, claims and cash flow. The Committee is satisfied that extensive due diligence, using both internal and external resources, was conducted with respect to assessing the value of Mouchel's customer contracts.
Valuation of land and properties	The Group holds inventory within the Residential division, primarily comprising land held for residential development for which construction has not started and work-in-progress. The carrying value of the inventory is based on the Group's current forecast estimate of the sales prices and building costs. One of the key elements of the system of risk management and internal control within the Residential division is the development appraisals prepared by management, using a number of internal and external reference points. At its meeting in June 2015, the Committee identified the valuation of land and properties as a key area of judgement and, therefore, agreed that PwC would challenge the principal assumptions underlying management's appraisals during the 2015 audit. PwC's conclusion is set out in the independent auditor's report: please see page 113.

Significant issue and other accounting judgement	How the issue or accounting judgement was considered
Accounting for long-term contracts	The Group has significant long-term contracts in the Construction and Services divisions. Profit is recognised according to the stage of completion of the contract. The assessment of profit requires the exercise of judgement when preparing estimates of the forecast costs and revenues of a contract. A number of factors are relevant to this assessment, including in particular the expected recovery of costs. During the year, the Board reviewed and considered management's latest assessment of the forecast costs and revenues on certain significant long-term contracts. The Committee identified accounting for long-term contracts as one of the principal matters for review by PwC in the 2015 audit and discussed management's assessment of the profit on such contracts with PwC when considering the interim and year-end financial statements. At its meeting in March 2015, the Committee received a presentation from the Group Commercial Director about the Group's controls relating to contract administration and management. These controls are designed to assist the Group to assess the performance of the Group's contracts.
Accounting for adjustments to underlying profit	Management has provided a separate disclosure of 'non-underlying' items, in addition to presenting the underlying results of the Group. Detals of those items are set out in note 4 to the consolidated financial statements. The non-underlying items and their disclosure have been discussed at Board meetings during the 2015 financial year. The classification of items as 'non-underlying' relates to the application of the Group's accounting policies, IFRS and recent pronouncements by the Financial Reporting Council on the matter. The Committee reviewed and considered these items with management in the context of its review of the 2015 financial statements. The Committee also reviewed the work of PwC in this area.
Assessment of carrying value of goodwill	The majority of the Group's goodwill relates to the acquisitions of Mouchel and May Gurney. One of the principal areas of focus of both the Board and the Committee during the 2015 financial year was the performance of the Group, which was of particular relevance to the audit procedures conducted by PwC with respect to the value of goodwill. PwC's conclusion is set out in the independent auditor's report: please see page 115.

Fair, balanced and understandable

The Board delegated to the Committee the responsibility for ensuring that the information presented in this annual report, when taken as a whole, is fair, balanced and understandable and contains the information necessary for shareholders to assess the Group's performance, business model and strategy.

The principal aspects of the review process implemented by the Committee and management are summarised as follows:

- Setting up a committee of senior individuals within the Group to draft the annual report, with each of these individuals having responsibility for the production of certain sections of the document;
- Holding regular meetings of this committee to discuss and agree significant disclosure items;
- The committee members retaining copies of supporting materials and confirming that, in their opinion, the sections drafted by them were 'fair, balanced and understandable';
- Arranging for PwC and FutureValue (a corporate reporting consultancy) to review the annual report in light of the requirement and for Mercer, the Company's remuneration consultants, to review the Remuneration Report;
- Circulating drafts of the annual report to the Committee and the Board to ensure that the document reflected the directors' views of the material issues facing the Group; and
- Discussing material disclosure items at a meeting of the Committee.

Richard Bailey

Richard Bailey
Chair of the Risk Management and Audit Committee
16 September 2015

Corporate governance
Safety, Health and Environment Committee Report

Dear shareholder,
I am pleased to present the Safety, Health and Environment Committee Report for 2015.

The health and safety of all those who visit and work at the Group's sites, together with the protection of the environment, have been and will remain key priorities for Kier. It is therefore important that the Group has a well-established and robust governance structure, led by the Committee, to ensure that safety, health and environment ('SHE') matters are appropriately managed by the Group.

Having recently acquired Mouchel, the Group now operates on several hundred sites at any one time, both throughout the UK and internationally, and employs over 24,000 staff. The projects undertaken by the Group are not only complex, but inherently dangerous. Although I am pleased to be able to report, overall, a strong SHE performance in 2015, the fatal road traffic accidents which occurred during the year, in particular, demonstrate the need to seek continuous improvement in the management of SHE risks in the workplace.

This report provides a summary of the Committee's activities during 2015. I will be available to answer any questions about the work of the Committee at the AGM on 12 November 2015.

Role
The role of the Committee includes:

- Assisting the Board to review the Group's strategy with respect to SHE matters;
- Encouraging management accountability with respect to managing the Group's SHE risks;
- Reviewing and, as necessary, approving material group-wide SHE initiatives, policies and procedures;
- Receiving reports on any major health and safety or environmental incidents; and
- Reviewing the Group's exposure to SHE risks and monitoring the Group's performance against SHE targets.

The terms of reference for the Committee can be viewed on the Company's website at http://www.kier.co.uk/corporategovernance.

Composition and meeting attendance
The members of the Committee are:

- Nick Winser (Chair)
- Kirsty Bashforth
- Amanda Mellor

The executive directors and the Group SHE Director are invited to, and expected to attend, meetings, unless they are notified to the contrary. The secretary of the Committee is the Company Secretary.

Details of attendance at Committee meetings during the 2015 financial year are set out on page 69.

Principal activities – 2015

A summary of the Committee's principal activities in the 2015 financial year is as follows:

New Group SHE Director

As a committee, we were delighted with the appointment of John Edwards as the new Group SHE Director earlier in 2015. Since his appointment, John has been undertaking a review of the Group's approach to the management of SHE risks – for example, reviewing SHE governance, re-drafting documentation and procedures and overseeing an assessment of the Group's culture with respect to SHE issues (see below).

SHE strategy

The Committee has closely reviewed management's plans to ensure that the management of SHE issues remains a top priority in the context of Vision 2020. In particular, we have challenged management to ensure that the Group's SHE strategy remains aligned with the Group's overall corporate strategy and that, as the Group continues to grow, its SHE culture, policies, procedures and governance remain appropriate and able to continue to support the business.

Fleet

As a committee, we oversaw management's investigations into the fatal road traffic accidents which occurred during the 2015 financial year, reviewed the incident reports and challenged management to ensure that the learning points from the incidents were appropriately communicated throughout the Group. Specifically, these incidents led to the Committee overseeing a number of significant policy changes with respect to driving at work – for example, the banning of making or receiving telephone calls whilst doing so.

High-potential incidents

During the course of a year, 'high-potential' incidents will occur on the Group's sites. Management has well-established processes to ensure that the remedial actions to be taken after the reporting of any such incidents are closed-out. The Committee provided constructive challenge to management to ensure this is done in a timely manner. In addition, we assisted management to continue to promote the benefits of, and encourage, the reporting of such incidents and to ensure the effective communication of the learning points across the Group.

Regulatory investigations

One of the areas of the Committee's remit is to ensure that management responds appropriately and in a timely to manner to investigations conducted by regulatory bodies in relation to SHE matters. For example, from time to time, the Health and Safety Executive ('the HSE') and the Environment Authority ('the EA') will conduct investigations into incidents which occur on the Group's sites. Some of these investigations result in court proceedings being taken against the Group and, as a committee, we work with management to ensure that its approach to the conduct of these proceedings is appropriate.

During the 2015 financial year, the Committee oversaw management's responses to the HSE investigation into the fatality which occurred on the Crossrail site at the BFK Holborn site in March 2014, the proceedings brought against Kier and its joint venture partners in Hong Kong as a result of a fatality on site in September 2013 and the investigations into the road traffic accidents which occurred during the 2014 and 2015 financial years. We have also overseen management's response to the EA in connection with a water pollution incident (December 2013) and a fuel spillage (November 2014) and discussed with management its strategy with respect to the defence of proceedings brought against Kier and its joint venture partners in Hong Kong which relate to two allegations of water contamination.

Behavioural safety self-assessment

One of the most significant activities of the Committee in 2015 was to oversee the behavioural safety self-assessment which management instigated across the Group's operations. Each business was asked to assess its 'cultural maturity' against a series of questions in order to set a benchmark against which to measure and continuously improve the Group's SHE culture and ensure that it remains appropriate as the Group continues to grow.

The results of this self-assessment will be used to develop the policies and procedures to assist the Group to develop a fully-integrated SHE culture following the acquisition of Mouchel. Overseeing management's development of these policies and procedures will be one of the Committee's priorities in 2016.

Nick Winser
Chair of the Safety, Health and Environment Committee
16 September 2015

Corporate governance
Remuneration Report

Amanda Mellor
Chair

Annual statement of the chair of the Remuneration Committee

Dear shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for 2015, which provides details of the remuneration earned by the directors in the 2015 financial year.

Our remuneration policy was approved by shareholders at the 2014 AGM and no changes have been made this year. However, in order to ensure transparency and so as to provide context for the decisions taken by the Committee during the year, the Committee has decided to include a summary of the policy in this report. Information relating to the implementation of our remuneration policy in the 2015 financial year is included in the annual report on remuneration.

Similar to last year, this report is divided into three sections: this annual statement, the annual report on remuneration on pages 86 to 97 (inclusive) and a summary of the directors' remuneration policy on pages 98 to 106 (inclusive).

Following the 2014 AGM and to ensure alignment of executive remuneration at Kier with Vision 2020, the Committee undertook a review of its remuneration advisers. After an extensive tender process, Mercer was appointed to the role.

A summary of the Committee's principal activities during the course of the year is as follows:

Board changes

Bev Dew was appointed as Finance Director with effect from 1 January 2015 and Nigel Brook, Nigel Turner and Claudio Veritiero were appointed to the Board with effect from 6 March 2015. The Committee considered the remuneration of the new Board members against a number of comparators and criteria, whilst also ensuring that it was within our policy on recruitment or internal promotion. The remuneration paid to each of the four new Board appointees since their appointment is set out in the single figure table on page 86.

Steve Bowcott, the former Chief Operating Officer, stood down from the Board with effect from 27 April 2015. The terms of Steve's departure were within the policy on payments for loss of office, as set out on pages 104 and 105. A summary of the terms agreed with Steve is set out on page 90.

Annual bonus and Long-Term Incentive Plan – 2015

Following another year of strong performance, the executive directors will receive bonuses of 91.9% of their respective base salaries. These bonuses reflect the Group's solid revenue growth, increased profitability and strong health and safety performance over the year, each of which is considered by the Board to be a key performance indicator for the Group, together with the significant individual contributions made by each of the executive directors. Further details of the bonus payments in respect of the 2015 financial year, including the pro rating of payments to those directors who joined or left the Board during the year, are set out on pages 86 to 88 (inclusive).

However, despite underlying EPS growth during the 2015 financial year and a strong total shareholder return ('TSR') performance over the three-year performance period of the Long Term Incentive Plan ('LTIP') award granted in September 2012, the award will not vest in September 2015. As a committee, we believe that the EPS and TSR performance conditions which applied to this award remain challenging and they will therefore apply to the award which will be granted to the executive directors in the 2016 financial year. Please see page 90 for further details.

Review of base salaries

During the year, the Committee undertook a review of the salaries of our executive directors, in conjunction with Mercer. This review took into account a number of factors, including external benchmarking against comparable companies, an assessment of individual experience, length of tenure on the Board and the salary review applicable across the Group. Following this review, the Committee decided that the base salary of the Chief Executive would increase by 5% from £505,000 to £530,250 with effect from 1 July 2015, in line with the range of salary increases across the Group. The Committee also agreed that, in light of their recent appointments to the Board, there would be no increases to the base salaries of the other executive directors.

Remuneration – 2016

During the financial year, the Committee considered the Company's remuneration framework and concluded that the current structure, comprising base salary and benefits, a bonus and an LTIP, continued to be appropriate for the 2016 financial year.

In 2016, the annual bonus will operate on substantially the same basis as in 2015, with the maximum opportunity remaining at 100% of base salary. The amount attributable to 'personal objectives' will increase from 10% to 20% and the maximum amount payable with respect to profit performance will decrease from 55% to 45%. The Committee has worked extensively to agree a set of personal objectives which relate to the executive directors' core areas of focus, both individual and collective, over the 2016 financial year and which are designed to support the delivery of Vision 2020. These objectives, together with the assessment of performance against them, will be set out in the 2016 annual report. Further details of the 2016 annual bonus are set out on page 95.

No changes are proposed to the LTIP to be awarded in the 2016 financial year, which will continue to be based on EPS and relative TSR (in equal measure), with a maximum opportunity remaining at 150% of base salary. Further details of the performance conditions of this LTIP award are set out on page 90.

Areas for future consideration

The Committee will continue to review executive remuneration at Kier to ensure that it remains appropriate to promote the long-term success of the Company. The Committee is also aware of the need for executive remuneration to remain competitive and reflect trends in the market. Following the acquisition of Mouchel, and in order to reflect the change in size and shape of the Group and to ensure alignment with Vision 2020, the Committee is undertaking a comprehensive review of the executive remuneration framework at Kier. The Committee intends to consult with shareholders in the event that any material changes are proposed to the current remuneration policy as a result of this review, noting that any revised policy would be subject to shareholder approval at the 2016 AGM.

Compliance statement

This report complies with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 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 (September 2012 edition).

Conclusion

I hope that you will find our report helpful. The Committee has sought to ensure full and transparent levels of disclosure with respect to executive remuneration at Kier and to share with shareholders how it seeks to balance various considerations and interests in a fair way for the long-term success of the Group. Linking pay to the Group's performance and reflecting the views of shareholders is fundamental to the remit of the Committee.

As chair of the Committee, I have welcomed the opportunity to meet a number of major shareholders during the course of the year, to understand their views on executive remuneration more broadly and also to share with them the Committee's approach. The Committee has found this engagement with shareholders beneficial, particularly in light of our current review, and will continue to seek to incorporate their views when considering executive remuneration at Kier.

I will be available to answer any questions at the AGM on 12 November 2015.

Amanda Mellor
Chair of the Remuneration Committee
16 September 2015

Annual report on remuneration

Introduction

This section of the report sets out the annual report on remuneration for the 2015 financial year.

The following information contained in this section of the report has been audited: the table containing the single total figure of remuneration for directors and accompanying notes on this page 86, the pension entitlements set out on page 88, the incentive awards made during the year set out on pages 89 and 90, the payments for loss of office set out on page 90, the payments to past directors set out on pages 90 and 91 and the statement of directors' shareholdings and share interests set out on page 91.

Directors' remuneration for the 2015 financial year

The following table provides details of the directors' remuneration for the 2015 financial year, together with their remuneration for the 2014 financial year, in each case before deductions for income tax and national insurance contributions (where relevant):

	Salary/fees (£000)		Taxable benefits[1] (£000)		Bonus (£000)		LTIP vesting in year (£000)		All-employee schemes (£000)		Pension[5] (£000)		Total (£000)	
	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014	2014/ 2015[2]	2013/ 2014[3]	2014/ 2015[4]	2013/ 2014	2014/ 2015	2013/ 2014	2014/ 2015	2013/ 2014
Executive directors														
Steve Bowcott[6]	351	378	13	16	322	257	–	110	1	1	69	76	756	838
Nigel Brook[7]	112	–	4	–	80	–	–	–	1	–	21	–	218	–
Bev Dew[8]	188	–	6	–	172	–	–	–	–	–	38	–	404	–
Haydn Mursell	505	378	13	13	464	257	–	110	1	1	96	76	1,079	835
Nigel Turner[7]	112	–	4	–	80	–	–	–	1	–	22	–	219	–
Claudio Veritiero[7]	112	–	2	–	80	–	–	–	1	–	21	–	216	–
Non-executive directors														
Richard Bailey	66	54	–	–	–	–	–	–	–	–	–	–	66	54
Kirsty Bashforth[9]	39	n/a	–	–	–	–	–	–	–	–	–	–	39	n/a
Amanda Mellor	56	54	–	–	–	–	–	–	–	–	–	–	56	54
Phil White	173	165	–	–	–	–	–	–	–	–	–	–	173	165
Nick Winser	56	54	–	–	–	–	–	–	–	–	–	–	56	54
Total	1,770	1,083	42	29	1,198	514	–	220	5	2	267	152	3,282	2,000

1 Comprise private health insurance and a company car or a car allowance.
2 The award granted on 14 September 2012 will not vest.
3 The award granted in November 2011 vested as to 32.7% in November 2014, as detailed on page 77 of last year's annual report. The value is calculated by multiplying the number of shares receivable by the relevant director by the closing price of a share in the capital of the Company on 17 November 2014 of £14.43. The value of these awards referred to in last year's annual report was based on the three-month average share price for the period ended 30 June 2014.
4 The value of the matching shares purchased during the 2015 financial year under the All Employee Share Ownership Plan ('the AESOP'), using an average share price for matching share purchases during the 2015 financial year of £16.08.
5 Comprises the payment of employer pension contributions and/or a cash allowance.
6 Steve Bowcott retired from the Board with effect from 27 April 2015 and his employment with the Group terminated on 30 April 2015. The amounts set out under 'Salary/fees', 'Taxable benefits' and 'Pension' relate to the period from 1 July 2014 to 30 April 2015. The amount set out under 'All-employee schemes' relates to matching shares bought on behalf of Steve under the AESOP during the 2015 financial year. The amount set out under 'Bonus' has been pro rated for active service to 30 April 2015. Payments made to Steve Bowcott during the course of the year with respect to his loss of office and to be made during the 2016 financial year are not included in the table: please see page 90 under 'Payments for loss of office' for further details.
7 Nigel Brook, Nigel Turner and Claudio Veritiero were appointed to the Board with effect from 6 March 2015. The amounts set out under 'Salary/fees', 'Taxable benefits', 'Bonus' and 'Pension' relate to the period after their appointments to the Board. The amounts set out under 'All-employee schemes' relate to matching shares bought on behalf of the relevant individuals under the AESOP during the 2015 financial year.
8 Bev Dew was appointed to the Board with effect from 1 January 2015. The face value of matching shares purchased for him under the AESOP during the 2015 financial year was £145 which is considered 'de minimis' for the purposes of the above table.
9 Kirsty Bashforth was appointed to the Board with effect from 1 September 2014.

All figures in the above table have been rounded to the nearest £1,000. Further information relating to the executive directors' annual bonus and pension entitlements for the 2015 financial year are set out below.

Annual bonus – 2015 financial year

Steve Bowcott, Bev Dew and Haydn Mursell were eligible to receive a bonus of up to 100% of base salary with respect to the 2015 financial year. Of this, 55% related to certain profit performance targets, 25% related to certain cash performance targets, 10% related to health and safety performance targets and 10% related to performance against personal objectives which were approved by the Committee.

The payments due to Steve Bowcott and Bev Dew will be pro rated to reflect their respective lengths of active service during the 2015 financial year. The bonus entitlements of Nigel Brook, Nigel Turner and Claudio Veritiero, each of whom was appointed to the Board during the course of the year, were as described above from the date of their appointments to the Board, with different entitlements relating to the period prior to their appointments. Further detail is provided below.

One-third of any annual bonus awarded to the executive directors (including those appointed during the 2015 financial year) will be satisfied in Kier Group plc shares and is subject to forfeiture in the circumstances set out in the policy table. A similar approach is applied to the annual bonus arrangements for certain members of the senior management team. The Committee believes that part satisfaction of the annual bonus in shares strengthens the alignment of the interests of the executive directors, and members of senior management, with those of shareholders.

Further details of the executive directors' bonuses in respect of the 2015 financial year (in each case before deductions for income tax and national insurance contributions) are provided in the following table:

				Performance level				Performance achieved[1]					
	Weighting	Measure/ weighting		'Threshold'	'On target'	'Stretch'	Actual	Steve Bowcott[2]	Bev Dew[3]	Nigel Brook[4]	Haydn Mursell	Nigel Turner[4]	Claudio Veritiero[4]
Financial	80%	Profit before tax (55%)	Target	<£83.0m	£83.0m	£87.0m	£85.9m	50.9%	50.9%	50.9%	50.9%	50.9%	50.9%
			Pay-out[5]	0%	40%	55%	50.9%						
		Year-end cash/net debt (25%)	Target	£(168.0)m	£(153.0)m	£(138.0)m	£(140.8)m	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
			Pay-out[5]	0%	15%	25%	23.0%						
Non-financial	20%	Health and safety (10%)		See note 6 below				8%	8%	8%	8%	8%	8%
		Personal objectives (10%)		See below				10%	10%	10%	10%	10%	10%
Total (%)								91.9%	91.9%	91.9%	91.9%	91.9%	91.9%
Total (amounts in £000)								£322	£172	£80	£464	£80	£80

1 As a percentage of maximum opportunity, being 100% of base salary for the 2015 financial year, subject to pro rating for time spent on the Board during the year (as described in the following notes).
2 The payment to Steve Bowcott has been pro rated to reflect his service to 30 April 2015.
3 The payment to Bev Dew has been pro rated to reflect his service from 1 January 2015.
4 The payments to Nigel Brook, Nigel Turner and Claudio Veritiero relate to the period after their appointment to the Board. Further information is provided immediately following this table.
5 As a percentage of maximum opportunity.
6 The health and safety performance targets related to a reduction in the Group's AIR from April to June 2015, as compared with the equivalent period in 2014 (maximum opportunity: 5%) and undertaking an agreed number of health and safety site visits (maximum opportunity: 5%).

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

In accordance with the Group's bonus scheme rules, Nigel Brook, Nigel Turner and Claudio Veritiero each became entitled to a maximum bonus opportunity of 100% of base salary, subject to the same targets as the other executive directors, with effect from 1 April 2015 (being the first calendar month following their appointments to the Board). Prior to their respective appointments to the Board, Nigel Brook's and Nigel Turner's targets related to a combination of Group and business unit performance and Claudio Veritiero's targets related to Group performance.

The bonus payments due to these individuals relating to the periods before and after their appointments to the Board are as follows (in each case before deductions for income tax and national insurance contributions):

Director	Pre-appointment bonus (£000)	Post-appointment bonus (£000)	Aggregate 2015 bonus (£000)
Nigel Brook	£100	£80	£180
Nigel Turner	£163	£80	£243
Claudio Veritiero	£135	£80	£215

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

During the 2015 financial year, each of the executive directors had a number of personal objectives which were set against their key areas of focus and accountability. The Committee assessed the performance of each executive director against these objectives and agreed that they each warranted the payments set out in the above table.

Examples of these personal objectives are set out in the following table, together with an assessment of performance:

Director	Personal objective	Assessment of performance
Steve Bowcott	• In conjunction with the Chief Executive, oversee the refreshing of the safety culture across the Group • Lead significant cross-divisional tenders	• Assisted the Chief Executive to appoint a new Group SHE Director, who is undertaking a review of the Group's approach to managing SHE risk • Successful examples include the Northamptonshire County Council and Staffordshire County Council tenders
Nigel Brook	• Lead significant tenders within the Construction division • Restructure the senior management team in the Construction division	• Successful examples include the Scape National Minor Works framework and the North West Construction Hub framework tenders • New management team put in place following his appointment to the Board
Bev Dew	• Continue to drive the Group's focus on working capital management • As a new Finance Director, establish relationships with analysts, investors, advisers and lenders	• Reviewed and re-aligned the Group's internal process for cash collection and forecasting, as demonstrated by the Group's net debt position at 30 June 2015 • Positive feedback from investors, analysts and advisers, in particular after the 2015 interims roadshows and the Mouchel transaction. Revised facilities agreed with the Group's lenders during the year
Haydn Mursell	• Provide the Board with clarity on the Group's strategic direction • Develop senior management succession plans	• Regular updates to the Board as to progress against Vision 2020. The Mouchel transaction represents significant progress towards the delivery of this strategy • Three internal appointments to the Board made during the year, with succession plans created for the level immediately below the Board
Nigel Turner	• Continue to develop relationships with partners and funders for the Developments business • Establish succession plans in the Developments business	• A number of opportunities identified during the year, including those with Investec in the Trade City joint venture and Premier Inn • New management team put in place following his appointment to the Board
Claudio Veritiero	• Progress Vision 2020, including establishing a framework to monitor progress • Identify acquisition and disposal opportunities	• Integral role in the Mouchel transaction. Monthly reports to the Board on the progress against Vision 2020 • A number of additional opportunities identified during the year, including the Fleet & Passenger Services disposal announced in July 2015

Pension entitlements

The following executive directors participate in the defined contribution section of the Kier Group Pension Scheme. All receive a pension contribution of 20% of base salary, subject to the annual allowance. The balance is paid as a cash allowance. Cash allowances are subject to the usual tax and national insurance deductions which are payable by the executive director and excluded when determining annual bonus and long-term incentives.

Payments to the executive directors with respect to the Kier Group Pension Scheme during the 2015 financial year were:

Director	Pension contribution	Cash allowance	Total
Steve Bowcott[1]	£33,333	£35,203	£68,536
Nigel Brook[2]	£13,502	£7,500	£21,002
Bev Dew[3]	£20,000	£17,502	£37,502
Haydn Mursell	£40,000	£56,219	£96,219
Nigel Turner[2]	£14,451	£7,500	£21,951
Claudio Veritiero[2]	£13,661	£7,500	£21,161

1 For the period from 1 July 2014 to 30 April 2015.
2 For the period from 6 March 2015 to 30 June 2015.
3 For the period from 1 January 2015 to 30 June 2015.

Incentive awards made during the year

The following incentive awards were made to each of the executive directors during the 2015 financial year:

Award	Basis of award	Director	Face value[1]	Potential award for threshold performance	End of performance period	Vesting date	Difference between exercise price and face value	Performance measures
LTIP[2]	150% of base salary for the year ended 30 June 2015	Steve Bowcott	£219,528			22 October 2017		Awards are based 1/2 on three-year cumulative EPS, 1/2 on relative TSR performance. Please see below for details of targets
		Haydn Mursell	£948,002	25% of face value	30 June 2017		n/a	
		Bev Dew	£391,083			8 May 2018		
	75% of base salary for the year ended 30 June 2015[3]	Nigel Brook	£187,700					
		Nigel Turner	£236,519	25% of face value	30 June 2017	22 October 2017	n/a	
		Claudio Veritiero	£262,801					
Deferred shares	1/3 of the net bonus for the year ended 30 June 2014	Steve Bowcott	£45,269	n/a	n/a	29 September 2017	n/a	Continued service condition (subject to the 'malus' provision – please see the future policy table)
		Haydn Mursell	£45,269					
	1/4 of the net bonus for the year ended 30 June 2014[3]	Nigel Brook	£14,574					
		Nigel Turner	£25,181	n/a	n/a	29 September 2017	n/a	
		Claudio Veritiero	£15,852					
AESOP	Matching shares purchased in accordance with the AESOP rules	Steve Bowcott	£627					Continued service condition
		Nigel Brook	£917					
		Bev Dew	£145					
		Haydn Mursell	£756	n/a	n/a	n/a	n/a	
		Nigel Turner	£900					
		Claudio Veritiero	£900					

1 For the LTIP awards, 'face value' is calculated using the closing price of a share in the capital of the Company on 21 October 2014 of £15.28 (or, in the case of the award to Bev Dew, the closing price of a share in the capital of the Company on 7 May 2015 of £15.85). For the deferred share awards, 'face value' is calculated using the closing price of a share in the capital of the Company on 26 September 2014 of £16.81. For the AESOP, 'face value' is calculated using the total number of shares bought on behalf of the relevant individuals during the year and an average share price for matching share purchases during the year of £16.08.

2 The maximum number of shares to which the awards relate have been adjusted for the effects of the rights issue associated with the Mouchel transaction and, in the case of Steve Bowcott, reflects the pro-rating of the award up to 30 April 2015. Please see 'LTIP awards' on page 92.

3 These awards were made prior to the individuals' appointments as executive directors.

Performance conditions (and respective weightings) and targets for the LTIP awards which were granted during the 2015 financial year are set out in the table below. The awards vest on the third anniversary of the grant date (22 October 2017). The same conditions and weightings will apply to the awards to be granted in the 2016 financial year.

Performance condition	Weighting	Targets
Cumulative EPS growth	1/2	0% vesting for below 5% p.a. 25% vesting for 5% p.a. 100% vesting for 15% p.a. Straight-line vesting between these points
TSR outperformance[1]	1/2	0% vesting for performance below index 25% vesting for performance in line with index 100% vesting for performance in line with index +12% p.a. Straight-line vesting between these points

1 Against a revenue-weighted index based 50% on the FTSE All-Share Construction and Materials Index and 50% on the FTSE All-Share Support Services Index (representing the Group's approximate prior year revenue mix at the date of grant).

Payments for loss of office

Steve Bowcott's employment with the Group ceased on 30 April 2015. In accordance with the terms of his service agreement and the Company's remuneration policy, it was agreed that Steve would receive a payment in lieu of notice ('PILON'), comprising his base salary, pension allowance and car allowance for his 12-month notice period, to be made on a phased basis, as follows:

- A lump sum payment of £129,275 was made in May 2015 in respect of the first three months of his notice period (being May, June and July 2015), of which £86,183 related to the 2015 financial year; and
- Nine monthly payments of £43,083 (being £517,000 in aggregate), commencing in August 2015. It was agreed that these monthly payments would be reduced if Steve obtained new employment before 30 April 2016, as explained below.

The Company also agreed to continue to provide Steve's private medical insurance for six months from 30 April 2015 or, if earlier, until he secured new employment.

Steve agreed to use reasonable endeavours to seek new employment and that any remuneration earned before 30 April 2016 from any new employment secured would be set-off against the monthly instalments due to him. On 6 July 2015, it was announced that Steve had obtained alternative employment with John Sisk & Son, commencing on 1 September 2015. As a result, the monthly payments will either reduce or cease from such date. All payments made to Steve with respect to the 2016 financial year will be disclosed in next year's annual report on remuneration.

The Company agreed to fund the cost of outplacement counselling for Steve up to a cap of £15,000 (excluding VAT), his legal fees in connection with his departure up to a cap of £10,000 (excluding VAT) and to contribute up to £500 towards the renewal of his membership of the Institution of Civil Engineers before 30 April 2016. In addition, under his service agreement Steve was entitled to a payment of £11,334 in respect of holiday entitlement accrued but untaken to 30 April 2015.

The Company awarded Steve a bonus of £305,000 for that part of the 2015 financial year in which he was actively employed by the Company. In accordance with the deferred share rules, his allocation of 'deferred shares' from 2012 and 2013 were released immediately after the termination of his employment and the 2014 allocation will be released at the expiry of the three-year holding period in 2017. It was also agreed that Steve's 2012, 2013 and 2014 LTIP awards would be permitted to vest on the vesting dates, subject to the satisfaction of their performance conditions and time pro-rating up to 30 April 2015. The Company exercised discretion under the rules of its bonus plan and the LTIP, in each case as contemplated by the remuneration policy, to facilitate these arrangements.

All payments are subject to deductions for tax and national insurance contributions.

Payments to past directors

As reported in last year's annual report, Paul Sheffield stood down from the Board with effect from 30 June 2014. The aggregate monthly payments made to Paul from 1 July 2014 until his alternative employment with Laing O'Rourke commenced in October 2014 was £161,000. During the course of the year, Paul also received £327,000 in respect of his bonus for the 2014 financial year. Please see page 80 of last year's annual report for further details relating to Paul Sheffield's exit arrangements.

The values of the LTIP awards granted to Paul Sheffield and Ian Lawson (who ceased to be a director on 21 June 2013) which vested on 17 November 2014, as disclosed in last year's annual report, were based on a three-month average closing price of a share in the capital of the Company for the period ended 30 June 2014. Using the closing share price from 17 November 2014 of £14.43, Paul Sheffield's award which vested in November 2014 is valued at £152,843 and Ian Lawson's award is valued at £85,281.

The LTIP awards granted on 14 September 2012 will not vest and, accordingly, neither Paul Sheffield nor Ian Lawson will receive any shares under this award. Paul Sheffield retains a pro rated entitlement to the LTIP awarded granted on 28 October 2013 which, subject to performance, will vest on 28 October 2016.

Directors' shareholdings and share interests

The Committee encourages 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 50% of the shares allocated to them upon the vesting of LTIP awards (net of tax) until this shareholding has been reached.

The following table sets out details, as at 30 June 2015, 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 2015 financial year, served as a director of the Company:

	Shares held				Options held				
Director	Owned outright[1] or vested	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?
Richard Bailey	2,660	–	–	–	–	–	n/a	n/a	n/a
Kirsty Bashforth	1,119	–	–	–	–	–	n/a	n/a	n/a
Steve Bowcott	17,151	2,693	67,636	93	–	1,847	n/a	n/a	n/a
Nigel Brook	9,201	1,647	33,307	125	–	1,847	200	44.1	No
Bev Dew	767	–	24,674	10	–	–	200	2.91	No
Amanda Mellor	1,492	–	–	–	–	–	n/a	n/a	n/a
Haydn Mursell	28,927	7,108	163,148	112	–	–	200	101.5	No
Nigel Turner	22,260	2,711	39,436	100	–	1,072	200	101.5	No
Claudio Veritiero	5,932	2,167	47,385	124	–	1,847	200	32.9	No
Phil White	4,354	–	–	–	–	–	n/a	n/a	n/a
Nick Winser	5,999	–	–		–	–	n/a	n/a	n/a

1 Comprising legally or beneficially held shares by the relevant director or their connected person (including partnership shares, dividend shares and matching shares purchased before 30 June 2012 under the AESOP – see 'All Employee Share Ownership Plan' below).
2 Comprising deferred shares allocated to the relevant director in connection with annual bonuses. See 'Deferred shares' below.
3 Comprising unvested LTIP awards. With respect to Steve Bowcott, calculated using the pro rated 2013, 2014 and 2015 awards referred to in 'LTIP awards' below.
4 Comprising matching shares purchased after 30 June 2012 under the AESOP. Steve Bowcott's matching shares are calculated to 30 April 2015, when his employment with the Group ceased. See 'All Employee Share Ownership Plan' on page 93.
5 Comprising options under the SAYE Scheme. See 'Share As You Earn Scheme' on page 93.
6 Calculated based on (i) shares owned outright by the director or his connected persons and (ii) deferred shares allocated to the relevant director in connection with annual bonuses, using the closing price of a share in the capital of the Company on 30 June 2015 of £14.23 and base salaries applicable to the year ended 30 June 2015.

All shareholdings and share interests referred to in the above table include shares subscribed for pursuant to the rights issue associated with the Mouchel transaction and adjustments to entitlements under the LTIP awards and SAYE Scheme made to reflect the effects of the rights issue.

Remuneration Report continued

Deferred shares

Those persons who, during the 2015 financial year, served as a director of the Company beneficially owned, at 30 June 2015, the following numbers of shares in the capital of the Company as a result of awards of shares representing one-third of the relevant director's net bonus (in the case of Steve Bowcott and Haydn Mursell) or one-quarter of the relevant director's net bonus (in the case of Nigel Brook, Nigel Turner and Claudio Veritiero) made in each of the years indicated:

Director	2013 award	2014 award	2015 award	Cumulative total 30 June 2015
Steve Bowcott[1]	–	–	2,693	2,693
Nigel Brook	374	406	867	1,647
Bev Dew	–	–	–	–
Haydn Mursell	2,757	1,658	2,693	7,108
Nigel Turner	771	442	1,498	2,711
Claudio Veritiero	523	701	943	2,167
Date of award	14 September 2012	28 October 2013	29 September 2014	–
Share price used for award[2]	1,401 pence	1,785 pence	1,681 pence	–
End of holding period	14 September 2015	28 October 2016	29 September 2017	–

1 The shares held on behalf of Steve Bowcott in respect of the 2013 and 2014 awards (in aggregate, 4,470 shares) were released with effect from the termination of his employment with the Group on 30 April 2015 in accordance with the rules of the deferred share bonus plan.
2 The closing price of a share in the capital of the Company from the business day immediately prior to the date of the award, being 13 September 2012, 25 October 2013 and 26 September 2014, respectively.

LTIP awards

Those persons who, during the year ended 30 June 2015, served as a director of the Company hold LTIP awards over the following maximum numbers of shares in the capital of the Company at 30 June 2015:

Director	2013 award	2014 award	2015 award	Cumulative total 30 June 2015[1]	Cumulative total 30 June 2014
Steve Bowcott[2]	28,953	24,316	14,367	67,636	99,531
Nigel Brook	11,274	9,749	12,284	33,307	31,929
Bev Dew	–	–	24,674[3]	24,674	–
Haydn Mursell	61,315	39,791	62,042	163,148	130,189
Nigel Turner	12,561	11,396	15,479	39,436	35,927
Claudio Veritiero	16,748	13,438	17,199	47,385	45,058
Date of award	14 September 2012	21 October 2013	22 October 2014[3]	–	–
Share price used for award[4]	1,401 pence	1,781 pence	1,528 pence[3]	–	–
End of performance period	30 June 2015	30 June 2016	30 June 2017	–	–

1 The maximum numbers of shares under all awards have been adjusted for the effects of the rights issue associated with the Mouchel transaction, using a standard HMRC formula.
2 The 2013, 2014 and 2015 awards granted to Steve Bowcott were reduced from, respectively, 30,657, 39,791 and 51,722 shares (after adjustment for the effects of the Mouchel rights issue) to reflect his active service during the respective performance periods.
3 The award granted to Bev Dew was made on 8 May 2015, using a share price of £15.85.
4 The middle market quotation of a share from the business day immediately prior to the date of the award.

The performance conditions for the 2013 and 2014 awards are set out in the annual reports in respect of the year in which the awards were made. The performance conditions for the 2015 awards are set out on page 90.

All Employee Share Ownership Plan

Those persons who, during the year ended 30 June 2015, served as a director of the Company beneficially own the following numbers of shares as a result of purchases under the All Employee Share Ownership Plan ('the AESOP') at 30 June 2015:

Director	Unrestricted shares	Partnership shares	Dividend shares	Matching shares (<3 years)	Matching shares (>3 years)	Cumulative total 30 June 2015[1]
Steve Bowcott	711	549	200	93	181	1,734
Nigel Brook	44	695	114	125	222	1,200
Bev Dew	–	21	–	10	–	31
Haydn Mursell	9	578	87	112	176	962
Nigel Turner	1,673	559	344	100	179	2,855
Claudio Veritiero	1	503	65	124	127	820

1 In the case of Steve Bowcott, AESOP purchases made up to 30 April 2015.

Under the AESOP, any amount saved by the executive directors will be applied by the trustee of the AESOP to make monthly purchases of shares on their behalf – 'partnership shares'. The Company matches purchases through the AESOP (currently at the rate of one free share for every two shares purchased – 'matching shares') and the trustee reinvests cash dividends to acquire further shares on behalf of the participants – 'dividend shares'.

Matching shares which have been purchased within three years of the termination of an individual's employment may, depending on the circumstances of such termination, be forfeited.

'Unrestricted' shares are partnership, dividend and matching shares which were purchased more than five years from the relevant date and can be withdrawn from the AESOP trust by the participants without incurring income tax or national insurance liability.

Details of the number of matching shares purchased during the year are set out in the table in the paragraph headed 'Incentive awards made during the year' on page 89. At 16 September 2015, the Company had been notified that the following current directors had acquired beneficial interests in further ordinary shares in the capital of the Company under the AESOP since 30 June 2015: Nigel Brook – 45 shares, Bev Dew – 47 shares, Haydn Mursell – 37 shares, Nigel Turner – 47 shares and Claudio Veritiero – 46 shares. There have been no other changes in the interests of the directors (or their connected persons) in the ordinary shares in the capital of the Company since 30 June 2015.

Save As You Earn Scheme

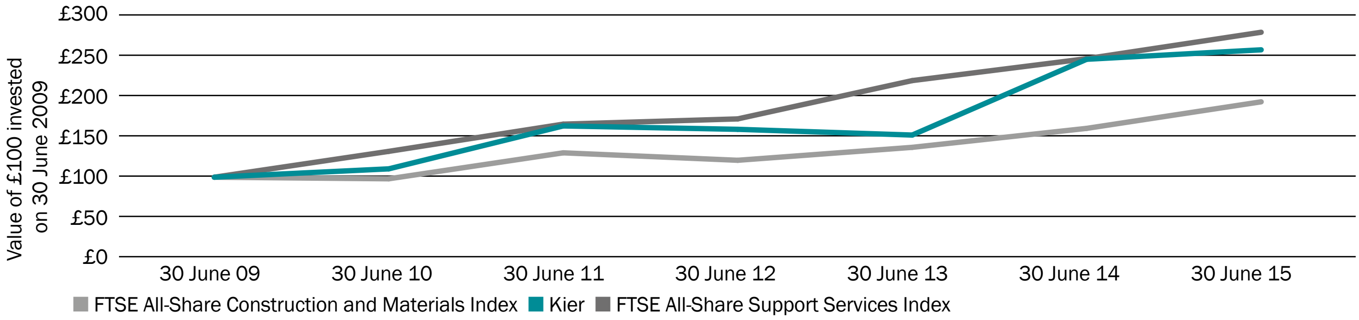
Those persons who, during the 2015 financial year, served as a director of the Company had the following options under the Kier Group plc 2006 Sharesave Scheme ('the SAYE Scheme') at 30 June 2015:

Director	Date granted	Maximum number of shares receivable at 1 July 2014[1,2]	Awarded during the year[2]	Exercised during the year	Lapsed during the year	Maximum number of shares receivable at 30 June 2015[1,2]	Exercise price[1]	Exercise period
Steve Bowcott[3]	27 April 2012	1,072	–	–	–	1,072	839 pence	See note 3 below
	31 October 2014	–	775	–	–	775	1,159 pence	See note 3 below
Nigel Brook	27 April 2012	1,072	–	–	–	1,072	839 pence	1 July 2015 – 1 January 2016
	31 October 2014	–	775	–	–	775	1,159 pence	1 December 2017 – 1 June 2018
Nigel Turner	27 April 2012	1,072	–	–	–	1,072	839 pence	1 July 2015 – 1 January 2016
Claudio Veritiero	3 May 2013	1,072	–	–	–	1,072	839 pence	1 July 2016 – 1 January 2017
	31 October 2014	–	775	–	–	775	1,159 pence	1 December 2017 – 1 June 2018

1 Adjusted for the effects of the rights issue associated with the Mouchel transaction, using a standard HMRC formula.
2 With respect to the options granted in 2013 or 2014, assumes that each director continues to save at the current rate(s) until the commencement of the relevant exercise period. With respect to Steve Bowcott, see note 3.
3 Under the SAYE Scheme rules, Steve Bowcott has until 1 November 2015 (being the date which is six months after the cessation of his employment with the Group) to elect either to exercise the options granted to him in 2012 and/or 2014 or to remove his savings with respect to either or both awards. The savings period relating to the 2012 option concluded on 30 June 2015; he is entitled to continue to make savings in relation to the 2014 option up until he makes his election. If Steve elects to exercise his 2014 option prior to 1 November 2015, the number of shares to which he will be entitled will depend on the level of savings as at the date of exercise. The figures in the table which relate to the 2014 option assume, however, that Steve will continue to save at the current rate until the commencement of the exercise period which would, had Steve remained with the Group, have applied.

Corporate governance
Remuneration Report continued

Total shareholder return and Chief Executive's remuneration
Total shareholder return
The graph below shows the value, at 30 June 2015, of £100 invested in shares in the capital of the Company on 30 June 2009, compared with the value of £100 invested in the FTSE All-Share Construction and Materials and FTSE All-Share Support Services indices. These benchmarks were chosen because they are considered to be the most appropriate against which the TSR of Kier should be measured and represents companies with which Kier competes. They also reflect trends within the UK construction and support services industries generally. The other points plotted are the values at 30 June during the six-year period.



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

	30 June 2010		30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Chief Executive	John Dodds	Paul Sheffield	Paul Sheffield	Paul Sheffield	Paul Sheffield	Paul Sheffield	Haydn Mursell
Total single figure	£1,427,000	£238,000	£753,000	£1,273,000	£987,000	£1,099,000	£1,079,000
Annual bonus[1]	51%		69%	75%	48.8%	67.9%	91.9%
Long-term incentive[1]	0%		0%	100%	31.2%	32.7%	0%

[1] As a percentage of maximum opportunity.

All total single figures in the above table are rounded to the nearest £1,000.

Percentage change in the Chief Executive's remuneration
The table below shows the percentage changes in base salary, taxable benefits and annual bonus of the director undertaking the role of Chief Executive in the 2014 financial year (Paul Sheffield), as compared to the 2015 financial year (Haydn Mursell), together with the approximate comparative average figures for those employees within the Group who were also eligible for salary reviews on 1 July of each year and who were not subject to collective agreements. This section of the employee population (comprising approximately 7,600 individuals across a number of levels within the Group) is considered to be the most appropriate group for the purposes of a comparison, as decisions with respect to these employees are within the control of the Group and are affected by similar external market forces as those which relate to the Chief Executive's remuneration. Approximately 600 employees are eligible to receive a bonus.

	Chief Executive change	Other employees change
Base salary	5.0%	4.5%
Taxable benefits	(0.1)%	3.0%
Annual bonus	41.9%	60.9%

Relative importance of spend on pay
The graph below shows the percentage changes in the total employee expenditure and dividend paid between the 2014 and 2015 financial years:

Total employee expenditure (£m)

Dividend (£m)

Employee remuneration is remuneration paid to or receivable by all employees of the Group and is explained in note 6 to the consolidated financial statements.

The dividend figures in the graph comprise the dividends paid in the 2014 and 2015 financial years (as stated in note 10 to the consolidated financial statements), being, respectively, (i) the final dividend for the 2013 financial year and the interim dividend for the 2014 financial year and (ii) the final dividend for the 2014 financial year and the interim dividend for the 2015 financial year.

Implementation of the remuneration policy for the 2016 financial year

Executive directors' base salary

The base salaries of the executive directors are, with effect from 1 July 2015, as follows:

Director	From 1 July 2015	From 1 July[1] 2014	Increase
Nigel Brook	£350,000	£350,000	–
Bev Dew	£375,000	£375,000	–
Haydn Mursell	£530,250	£505,000	5%
Nigel Turner	£350,000	£350,000	–
Claudio Veritiero	£350,000	£350,000	–

1 Or with effect from the date of appointment to the Board, in the case of Nigel Brook, Bev Dew, Nigel Turner and Claudio Veritiero.

Annual bonus

The maximum annual bonus opportunity for each executive director will remain at 100% of base salary for the 2016 financial year, of which 45% will relate to profit performance (2014: 55%), 25% to cash/net debt performance (2014: 25%), 10% to health and safety targets (2014: 10%) and 20% to personal objectives set by the Committee (2014: 10%). The targets, and performance against them, will be disclosed in further detail in next year's annual report. One-third of the net bonus will be satisfied on allocation of shares, deferred for three years.

LTIP awards

The executive directors will be granted LTIP awards of 150% of base salary. The performance conditions for these awards will relate to cumulative EPS growth and TSR outperformance (with equal weightings). The targets for both the EPS and TSR elements of the award are the same as for the awards granted in the 2015 financial year, as described on page 90.

Pension and taxable benefits

The executive directors will receive a pension contribution of 20% of salary, subject to the annual allowance, with the balance being paid as a cash allowance. The executive directors will also receive private health insurance and either a company car or a car allowance of £11,900 per annum. Both amounts remain unchanged from the 2015 financial year.

Non-executive directors' fees

The Board engaged Mercer to review the fees payable to the non-executive directors (including the Chairman), using a range of external reference points.

Having considered the results of the review, the Board decided to increase the base fee payable to the non-executive directors by 8.7% so as to bring it into line with the equivalent fee paid by peer companies.

The Board also decided not to increase the additional fees payable to the Senior Independent Director or the chairs of the Board's committees and that there would be no increase in the non-executive directors' fees from 1 July 2016.

The fee structure applicable to the non-executive directors (excluding the Chairman) with effect from 1 July 2015 is as follows:

Director	From 1 July 2014	From 1 July 2015	Increase
Non-executive director	£46,000	£50,000	8.7%
Chair of Board committee	£10,000	£10,000	–
Senior Independent Director	£10,000	£10,000	–

The Board also decided, having considered the information provided by the benchmarking exercise, that it would also be appropriate to increase the fee payable to the Chairman by 8.7% so as to bring it into line with the equivalent fee paid by peer companies. The Chairman does not receive a fee for his work as the chair of the Nomination Committee. The Committee also agreed that there would be no increase in the Chairman's fee from 1 July 2016.

Remuneration Report continued

The total fees payable to the non-executive directors with effect from 1 July 2015 are as follows:

Director	Base fee from 1 July 2015	Chair of committee fee from 1 July 2015	Senior Independent Director fee from 1 July 2015	Total from 1 July 2015	Total from 1 July 2014	Total increase
Richard Bailey	£50,000	£10,000	£10,000	£70,000	£66,000	6.1%
Kirsty Bashforth	£50,000	–	–	£50,000	£46,000[1]	8.7%
Amanda Mellor	£50,000	£10,000	–	£60,000	£56,000	7.1%
Phil White	£188,000	–	–	£188,000	£173,000	8.7%
Nick Winser	£50,000	£10,000	–	£60,000	£56,000	7.1%

1 With effect from 1 September 2014.

Remuneration Committee

Membership and meeting attendance

The members of the Committee are:

- Amanda Mellor (chair)
- Richard Bailey
- Kirsty Bashforth
- Phil White
- Nick Winser

In addition, the Chief Executive is invited, from time to time, to attend meetings of the Committee. No individuals are involved in decisions relating to their own remuneration. The Committee met formally three times during the year. The secretary of the Committee is the Company Secretary.

The terms of reference for the Committee can be viewed on the Company's website at http://www.kier.co.uk/corporategovernance.

Principal activities in 2015

The annual statement on pages 84 and 85 refers to a number of the Committee's principal areas of activity during the 2015 financial year. Other activities during the year included:

- Approving the 2014 remuneration report;
- Approving the bonuses paid to the executive directors in respect of the 2014 financial year;
- Setting the performance measures relating to, and the quantum of, LTIP awards to be made to the executive directors during the 2015 financial year;
- Engaging Mercer to conduct a review of the executive directors' remuneration and the non-executive directors' fees (on behalf of the Board); and
- Reviewing and setting the executive directors' remuneration for the 2016 financial year.

Advisers

During the 2015 financial year, Mercer was appointed by the Committee as its remuneration advisers, in succession to Kepler Associates ('Kepler'), which also provided remuneration advice to the Committee during the year.

Mercer provides advice in respect of the Mouchel Superannuation Fund. However, the Committee is satisfied that neither Kepler nor Mercer, in providing remuneration advice to the Committee, had any connection with the Company that impaired its independence. Total fees of £89,450 (excluding VAT) were payable in respect of advice received from Mercer and Kepler during the 2015 financial year. Mercer is a signatory to the Code of Conduct for Remuneration Consultants which has been developed by the Remuneration Consultants Group.

The Committee also seeks internal support and advice from the Company Secretary (Hugh Raven) and the Group HR Director (Chris Last).

Shareholder voting

At the 2014 AGM, the results of the votes on the resolutions relating to the remuneration policy and the remuneration report were:

	Votes for[1]	Percentage votes for	Votes against	Percentage votes against	Votes withheld
Remuneration policy	31,687,997	98.87	361,173	1.13	115,415
Remuneration report	28,194,444	88.52	3,658,724	11.48	311,867

[1] Includes those votes for which discretion was given to the Chairman.

Directors' remuneration policy (summary)

Introduction

Kier's remuneration policy which was approved at the 2014 AGM will continue to apply in the 2016 financial year. Accordingly, we will not be seeking shareholder approval for a revised policy at the 2015 AGM.

The Committee has decided to include the policy table and certain other extracts from the policy in this year's report for ease of reference and so as to provide context for the decisions taken by the Committee during the year. Where relevant, references to 2015 targets in the policy have been updated to refer to 2016 targets, together with certain other non-material changes. The full policy is set out on pages 69 to 76 (inclusive) of last year's annual report, which can be found on Kier's website at http://www.kier.co.uk/annualreport2014.

Policy table

A summary of the Group's policy for each element of an executive director's remuneration is set out in the table below:

Element and link to strategy	Operation	Opportunity	Performance measures
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 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 is typically effective from 1 July.	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.	Continued strong performance.
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. In certain circumstances, the Committee may also approve the provision of additional benefits or allowances – for example, the relocation of an executive director to perform his or her role.	Benefits are set at a level which the Committee considers appropriate in light of the market and an individual's circumstances.	None.
SAYE Scheme To encourage ownership of the Company's shares.	An HMRC-approved scheme 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 the scheme. Typically, employees are invited to participate on an annual basis.	None.
AESOP 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 plan allows employees to purchase shares out of pre-tax income. 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 AESOP rules. The plan trustee can reinvest cash dividends to acquire further shares on behalf of participants.	Participants can purchase shares up to the prevailing limit approved by HMRC (or such other lower limit as determined by the Committee) 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.	None.
Pension To provide a retirement benefit which is competitive with the market.	Executive directors participate in a defined contribution scheme.	For current executive directors, the maximum employer contribution is 20% of pensionable salary. Executive directors may elect to receive all or part of the employer contribution as a taxable cash supplement.	None.
Annual bonus To reward the delivery of near-term performance targets and business strategy.	The Company operates a discretionary bonus scheme. Performance measures and targets are set by the Committee at the start of the year. Payments are based on an assessment of performance at the end of the year. One-third of any award is deferred for three years (subject to early release for 'good leavers') and satisfied in Kier Group plc shares. Past awards of deferred shares are subject to forfeiture if an individual's employment is terminated in circumstances of gross misconduct and/or justifying summary dismissal and/or the Group's profit before tax or cash position for the relevant year is found to have been misstated. Awards of deferred shares made from 2014 will include a revised 'malus' provision. See 'Malus' on page 102. Dividend payments accrue on deferred bonus shares over the deferral period.	The current maximum potential bonus is 100% 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 at the start of each financial year. The level of bonus for achieving threshold performance varies by performance measure, and may vary for a measure 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.	The performance measures and targets for the 2016 financial year are profit (45%), cash (25%), health and safety (10%) and personal objectives (20%). The Committee has discretion to determine the measures and their relative weightings each year. The weighting towards non-financial measures will be no higher than 25% of the maximum potential bonus. The Committee has discretion to adjust bonus payments to ensure that they accurately reflect business performance over the performance period and are fair to shareholders as well as recipients. Actual targets for each performance measure (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 performance period.

Remuneration Report continued

Element and link to strategy	Operation	Opportunity	Performance measures
LTIP To reward the sustained strong performance by the Group over three years.	Awards are made annually and vest, subject to the achievement of performance conditions, at the end of a three-year performance period. At the start of each performance period, the Committee sets performance targets which it considers to be appropriately stretching. Awards are satisfied in the form of a deferred, contingent right to acquire shares in the Company, at no cost to the individual. LTIP awards granted from 2014 will include a 'malus' provision. See 'Malus' on page 102. If an event or series of events occurs as a result of which the Committee deems it fair that the performance conditions should be waived or modified, the Committee has discretion during the vesting period to waive or modify them. Any modified performance conditions must be no more difficult to satisfy than the original performance conditions were when first set. Any use of Committee discretion with respect to waiving or modifying performance conditions will be disclosed in the relevant annual report.	The maximum award under the rules of the plan is 200% of base salary. The Committee may grant awards of up to the maximum permitted under the LTIP rules when it considers it appropriate to do so. The reasons for an award in excess of 150% of salary will be disclosed in the relevant annual report. 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.	LTIP awards will be awarded in the 2016 financial year based on an equal weighting of EPS and TSR performance. EPS performance is measured by compound cumulative growth over the performance period. TSR outperformance is measured on a multiplicative basis relative to a revenue-weighted index based on the FTSE All-Share Construction and Materials and FTSE All-Share Support Services indices. If TSR outperformance is used in future award cycles, the revenue weightings will be fixed based on the Group's approximate revenue mix in the year prior to grant. The Committee retains discretion to supplement EPS and TSR with additional performance measures to ensure that the awards are always linked to sustained business performance. No measure will carry a weighting of less than 25%. Actual performance measures and weightings will be disclosed in the annual report immediately following the granting of an award.

The Committee is satisfied that this remuneration policy is in the best interests of shareholders. The Committee retains discretion to make non-material changes to the policy without reverting to shareholders.

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Remuneration Report continued

Payments from outstanding awards

The Company will honour any commitment entered into, and executive directors will be eligible to receive payment from any award made, prior to the approval and introduction of the remuneration policy with effect from the AGM on 13 November 2014.

Notes to the policy table

'Malus'

Deferred annual bonus awards made before 2014 include the 'malus' provision described in the table above, whereas deferred annual bonus and LTIP awards granted from 2014 onwards are and will be subject to revised 'malus' provisions. These allow the Committee to determine, in its absolute discretion, that (i) an unvested LTIP award (or part of an award) may not vest or that the level of vesting is reduced and/or (ii) the number of deferred shares (allocated in part satisfaction of the annual bonus) 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; and
- A participant's employment being terminated in circumstances of gross misconduct and/or circumstances justifying summary dismissal.

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

Executive director shareholding guidelines

The Committee encourages executive directors to accumulate a shareholding in the Company of at least two years' base salary over a period of up to five years. Executive directors are encouraged to retain any shares allocated to them as part of the annual bonus arrangements and 50% of the shares allocated to them upon the vesting of LTIP awards (net of tax) until they reach this level of shareholding.

Selection of performance measures and approach to setting targets

The measures used for the annual bonus are determined annually to reflect KPIs which are considered important and relevant to the Group. 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 strategy.

In relation to the LTIP awards, the Committee believes that the combination of EPS and TSR clearly aligns performance to shareholders' interests and the Group's long-term strategy. EPS is a key measure of long-term underlying performance of the Group. TSR is intended to measure management's contribution to the creation of value for shareholders. A revenue-weighted index based on the FTSE All-Share Construction and Materials and FTSE All-Share Support Services indices reflects the Group's mix of business. In future years, the Committee may decide to select other performance measures.

Targets for the annual bonus and the LTIP awards are reviewed before the awards are made, based on a number of internal and external reference points. The Committee intends that targets will be stretching but achievable and will align management's interests with those of shareholders.

Differences from remuneration policy for 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 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 measures to those used for the executive directors. Maximum opportunities and specific performance measures vary by seniority, with business-specific measures applied where appropriate. Senior managers (currently, approximately 250 individuals) are also eligible to participate in the LTIP. The performance measures for each LTIP award cycle are typically the same for all participants (although the rules of the LTIP permit the Committee to grant LTIP awards using different performance measures). 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:

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, 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 Scheme	New appointees will be eligible to participate on the same terms as all other employees.
AESOP	New appointees will be eligible to participate on the same terms as all other employees.
Pension	New appointees will receive pension contributions of up to 20% 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. One-third of any bonus earned will be deferred into shares.
LTIP	New appointees may be granted awards under the LTIP of up to 200% of salary, as contemplated by the remuneration policy.
'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) under an alternative scheme or arrangement in order to facilitate the recruitment of an individual. When doing so, the Committee may, to the extent required, exercise the discretion available under Listing Rule 9.4.2. Any such 'buy-out' award would have a fair value of 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, the Committee will, where appropriate, take into account those used in the Company's own 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.

In determining an appropriate remuneration package, the Committee will take into consideration all relevant factors 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.

Service contracts

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

Term of contract	Summary of provisions
Notice period	12 months' notice (both to and from the executive director).
PILON	Employment can be terminated with immediate effect by undertaking to make a PILON comprising base salary, accrued (but untaken) holiday entitlement, pension contributions or allowance, car allowance and private medical insurance. The Company is entitled to make the PILON on a phased basis, 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, although deferred bonus will be released.
Entitlements on termination	There is no contractual entitlement to notice or any other payments in respect of the period after cessation of employment in circumstances in which the individual is summarily dismissed. In such circumstances, deferred bonus shares will be forfeited and LTIP awards will lapse. If the individual is not a 'bad leaver' (and any 'malus' provision is not applied), deferred bonus shares will be released upon cessation of employment and the position with respect to LTIP awards is as set out under 'Payments for loss of office' below. 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.

It is expected that these terms will apply to any service agreements entered into with executive directors during the period in which this remuneration policy will apply.

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 considered to be 'good leavers' may be considered for a bonus in relation to the year in which their active employment ceases. Any payment will normally be pro rated for length of service and performance during the year. However, the Committee retains the discretion to review the performance of the individual and the Group in general and, having done so, determine that a different level of bonus payment would be appropriate. Deferred bonus shares will, typically, be released to the individual upon cessation of office, unless the 'malus' provision applies.
LTIP	If an executive director's employment ceases for reasons of death, ill-health, injury, disability, retirement with the agreement of the Company or his employing company ceasing to be a member of the Group or such other circumstances approved by the Committee, outstanding awards are retained. The Committee may also (at its discretion) permit unvested LTIP awards to vest on an accelerated basis or alternatively be retained until the vesting date. Unvested LTIP awards will, subject to Committee discretion, normally be pro rated for length of service during the performance period and will, subject to performance, normally vest at the same time as all other awards in the LTIP award cycle. A 'malus' provision also applies to all LTIP awards granted from 2014. For all other leavers, outstanding LTIP awards automatically lapse, unless the Committee exercises its discretion otherwise (taking into account the factors detailed immediately following this table).
AESOP and SAYE Scheme	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 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. 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, any outstanding LTIP awards may vest early (subject to the Committee's discretion, 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) and the rules of the AESOP and the SAYE Scheme will apply. No payments are due under the executive directors' service agreements upon a change of control.

Where appropriate, the Committee will oblige the individual to mitigate his/her losses and either offset any alternative remuneration received by the individual against any payments made by the Company for loss of office or reduce any payments to be made by the Company for loss of office to take account of any failure to mitigate when, in the reasonable opinion of the Committee, the individual has failed actively to do so.

In exercising discretion in respect of any of the elements referred to above, the Committee will take into account all factors which it considers to be appropriate at the relevant time. 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 payment in lieu of notice 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.

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 Group's employee engagement survey provides an opportunity for employees to provide their opinion on their own remuneration arrangements (and also on other matters across the Group).

The Committee takes into account the overall pay and employment conditions of employees within the Group when making decisions on the executive directors' remuneration. Accordingly, the Committee (i) is provided with information about the proposed annual group-wide pay review when setting the executive directors' salaries, (ii) is made aware of the approximate outcomes of annual bonuses and (iii) sets the LTIP performance targets which typically apply to all participants in the annual LTIP award cycle.

Consideration of shareholder 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. The chair of the Committee and the Chairman of the Board have met a number of the significant shareholders during the 2015 financial year to understand their views.

The Committee intends to review the remuneration policy during the 2016 financial year and will consult with shareholders if it decides that material changes need to be made to it.

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' fees is as follows:

Element and link to strategy	Operation	Opportunity	Performance measures
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 committee chairs 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.	Continued strong performance.

Recruiting non-executive directors

When recruiting a new non-executive director, the Committee will follow the policy set out in the table above.

Corporate governance
Directors' Report

Introduction
The directors present their annual report and audited financial statements as at, and for the year ended, 30 June 2015.

The Directors' Report and the Strategic Report collectively comprise the 'management report' for the purposes of Disclosure and Transparency Rule 4.1.5R.

Information incorporated by reference
As permitted by legislation, some of the matters required to be included in the directors' report have been incorporated by reference in this report, including certain matters which have been included in the Strategic Report because the Board considers them to be of strategic importance.

Specifically, the following information is incorporated by reference in this report:

Future developments	An indication of the likely future developments of the business of the Company is set out in the Strategic Report on pages 1 to 59 (inclusive).
Greenhouse gas emissions	Information relating to the greenhouse gas emissions of the Company is set out on page 30.
Going concern	The going concern statement is set out on page 59.
Directors	The names of the directors of the Company during the reporting period are set out on page 69. Biographical details of the directors of the Company are shown on pages 64 to 66 (inclusive). Details of directors' interests in the Company's shares are disclosed in the Remuneration Report on page 91.
Corporate governance	A statement on the Group's corporate governance is set out on pages 60 to 63 (inclusive).
Directors' responsibilities	The statement of directors' responsibilities is set out on page 111.
Important events since the end of the financial year	The particulars of the important events affecting the Company and its subsidiaries which have occurred since the end of the financial year are set out in the Strategic Report on pages 1 to 59 (inclusive) and/or note 31 to the consolidated financial statements.

Results and dividends
The Group's profit for the year after taxation and discontinued operations was £5.5m (2014: £10.7m). An interim dividend of 19.2 pence per share* (2014: 18.0 pence per share*), amounting to approximately £13.2m (2014: £12.3m), was paid on 15 May 2015. The directors propose a final dividend of 36.0 pence per share (2014: 39.6 pence per share*), amounting to approximately £34.1m (2014: £27.0m), payable on 27 November 2015 to shareholders on the register of members on 25 September 2015.

* As restated to reflect the bonus element of the rights issue associated with the Mouchel transaction.

Qualifying third-party indemnities
The articles of association of the Company ('the Articles') entitle the directors of the Company, to the extent permitted by the Companies Act 2006 and other applicable legislation (together, 'the Companies Acts'), to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition, and in common with many other companies, the Company has insurance for its directors and officers to cover certain losses or liabilities to which they may be exposed due to their office.

Political donations
No political donations were made during the year (2014: nil).

Financial instruments
Details of the financial risk management objectives and policies of the Group, together with its exposure to material financial risks, are set out in note 27 to the consolidated financial statements.

Research and development
The Group undertakes research and development activity in creating innovative construction techniques and designs for its projects. The direct expenditure incurred is not readily identifiable, as the investment is typically made within the relevant project.

Employees
The companies in the Group are equal opportunities employers. The Group gives consideration to applications for employment made by disabled persons (having regard to their particular aptitudes and abilities) and encourages and assists, whenever practicable, the recruitment, training, career development and promotion of disabled people and the retention of, and appropriate training for, those who become disabled during the course of their employment and who can be employed in a safe working environment. The Group's approach to employee involvement, equal opportunities, health and safety and the environment is set out in the Resources and Relationships Report on pages 28 to 31 (inclusive) and the Safety, Health and Environment Committee Report on pages 82 and 83, each of which is incorporated by reference into this report.

Directors' Report continued

The Group provides relevant information on matters of concern to employees through newsletters, video addresses, the Group's intranet, social media and formal and informal meetings with various groups of employees and management. These aim to create a common awareness on the part of employees on matters affecting the performance of the Group. The Group also consults with employees to ascertain their views in relation to decisions which are likely to affect their interests. An example of this is the employee engagement survey which took place during the year.

The Group operates the Kier Group plc 2006 Sharesave Scheme ('the SAYE Scheme') for eligible employees and makes available a dealing service to enable employees to buy and sell its shares with a minimum of formality. The Group also operates an All Employee Share Ownership Plan ('the AESOP') for all employees, which includes a share-matching element.

In addition, as a result of the acquisition of May Gurney, the Group operates the May Gurney Integrated Services PLC Savings Related Share Option Scheme 2007, which is similar to the SAYE Scheme. The existing May Gurney shares in this scheme were exchanged by participants for new options over shares in the capital of the Company.

Share capital

As at 30 June 2015, the issued share capital of the Company comprised a single class of ordinary shares of 1 pence each. At that date, 95,159,247 shares in the capital of the Company were in issue. During the year, 65,358 shares were issued in relation to the scrip dividend alternative, 182,843 shares were issued in connection with the SAYE Scheme and 39,646,692 shares were issued pursuant to a rights issue undertaken by the Company in order to finance the acquisition of MRBL Limited ('Mouchel'). Details of the Company's share capital are set out in note 24 to the consolidated financial statements.

Subject to the provisions of the Articles and the Companies Acts, 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.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except that certain restrictions may from time to time be imposed:

- By law or regulation (for example, insider dealing laws); and
- Pursuant to the Listing Rules of the Financial Conduct Authority ('the Listing Rules'), whereby certain employees require approval to deal in the Company's shares.

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 voting rights

As at 16 September 2015, the Company had been notified of the following interests in the ordinary share capital of the Company (being voting rights over such share capital), pursuant to Rule 5.1 of the Disclosure and Transparency Rules:

Shareholder	Interest[1]
Standard Life Investments (Holdings) Limited	9.0%
BlackRock, Inc	below 5.0%
Schroders plc	4.8%

[1] Subject to rounding.

Securities carrying special rights

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

Rights under employees' share schemes

As at 30 June 2015, RBC Trustees (Guernsey) Limited ('RBC'), as trustee of the Kier Group 1999 Employee Benefit Trust ('the Trust'), held 307,081 shares (0.32% of the issued share capital of the Company as at that date) on trust for the benefit of the employees of the Group, of which 16,322 shares were allocated to certain directors or senior managers as a result of their annual bonus being satisfied in part by an allocation of deferred shares ('the Deferred Shares'). The Trust was established for the purposes of satisfying awards of shares made to individuals under the Group's remuneration and long-term incentive arrangements.

During the year, RBC either received the dividends in respect of the Deferred Shares or elected to take up the scrip dividend with respect to these shares, as requested by the participants, but waived the dividends payable in respect of the other shares held by it. RBC, in turn, transferred the dividends or allocated additional shares to those directors and senior managers who requested that RBC elected to take up the scrip dividend with respect to their Deferred Shares.

As at 30 June 2015, Computershare Investor Services plc held 1,002,237 shares (representing approximately 1.05% of the issued share capital of the Company as at that date) on trust for the benefit of staff and former staff who are members of the AESOP.

As at 30 June 2015, the trustee of the May Gurney Limited Employee Share Ownership Trust and the trustee of the May Gurney Integrated Services PLC Employee Benefit Trust held, respectively, 226,115 and 148,307 shares in the capital of the Company (together, 374,422 shares representing approximately

0.39% of the issued share capital of the Company as at that date) on trust for the benefit of employees of May Gurney. Both trusts were established for the purposes of satisfying awards of shares to individuals under May Gurney's remuneration and long-term incentive arrangements. During the year, the trustees waived the dividends payable in respect of these shares.

Voting

Subject to any terms upon which the relevant shares may have been issued or to which they are subject and to the Articles, every member present in person or by proxy at a general meeting and entitled to vote has, upon a show of hands, one vote and, upon a poll, one vote for every share held. In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register in respect of the joint holding.

Restrictions on voting rights

No member shall, unless the Board otherwise determines, be entitled to vote at any general meeting in respect of any share held by it unless all calls or other sums then payable by it in respect of that share have been paid or if that member has been served with a disenfranchisement notice (as defined in the Articles) after failure to provide the Company with information concerning interests in that share required to be provided under the Companies Acts.

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

The directors shall be not less than three and not more than 12 in number. The Company may by ordinary resolution vary the minimum and/or maximum number of directors.

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

Pursuant to the Articles, at every AGM of the Company, one-third of the directors who are subject to the requirement to retire by rotation (not including any director who was appointed by the Board and is standing for election) will retire from office and may offer themselves for re-election by the members. The directors to retire by rotation will be those who have been longest in office since their last election. However, at the forthcoming AGM of the Company, notwithstanding the provisions of the Articles, all the directors will offer themselves for re-election in accordance with the UK Corporate Governance Code.

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. The office of a director will be vacated if:

- The director becomes bankrupt or the subject of an interim receiving order or makes any arrangement or composition with his creditors generally or applies to the court for an interim order in connection with a voluntary arrangement under the Insolvency Act 1986;
- The director is certified as having become physically or mentally incapable of acting as a director and may remain so for more than three months;
- The director ceases to be a director by virtue of the Companies Acts or becomes prohibited by law from being a director;
- The director receives written notice from not less than three-quarters of the other directors removing the director from office; or
- In the case of a director who holds executive office, the director ceases to hold such office and the majority of the other directors resolve that the relevant director's office be vacated.

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, the Companies Acts and any directions given by the Company by special resolution, the business of the Company will be managed by the Board, which may exercise all the powers of the Company.

Powers in relation to the Company issuing its shares

The directors were granted authority at the AGM on 13 November 2014 to allot shares in the Company in accordance with section 551 of the Companies Act 2006 (i) up to an aggregate nominal amount of £184,664 and (ii) up to an aggregate nominal amount of £369,328 in connection with a rights issue. The directors were also granted authority to allot shares non-pre-emptively and wholly for cash up to an aggregate nominal amount of £27,700. In addition, at the AGM held in 2013, an ordinary resolution was approved which grants the directors the authority to continue to offer the scrip dividend alternative. In accordance with the requirements of investor protection committees, this authority is renewed every five years.

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. Although the Articles do not contain any such prohibition, the Company did not request any such authority at its last AGM and does not propose to do so at the forthcoming AGM.

Corporate governance
Directors' Report continued

Change of control

The Company has entered into certain agreements that may take effect, alter or terminate upon a change of control of the Company following a takeover bid. The significant agreements in this respect are:

- The Company's £30m term facility agreement dated 11 January 2013 entered into with Lloyds TSB Bank plc;
- The Company's £380m revolving credit facility dated 22 April 2015 entered into with HSBC Bank plc, Lloyds Bank plc, The Royal Bank of Scotland plc, Abbey National Treasury Services plc, Barclays Bank PLC and National Westminster Bank plc (together with the £30m facility agreement, 'the Facility Agreements');
- The Company's £45m and US$28m note purchase agreement dated 20 December 2012 ('the 2012 Note Purchase Agreement');
- The Company's £47m and US$116m note purchase agreement dated 20 November 2014 (together with the 2012 Note Purchase Agreement, 'the Note Purchase Agreements'); and
- Certain of the Group's employee share schemes.

Each of the Facility Agreements includes a provision under which, in the event of a change of control of the Company, the lenders may cancel all or any part of the relevant facility and/or declare that all amounts outstanding under the relevant facility are immediately due and payable by the Company.

Each of the Note Purchase Agreements includes a provision under which, in the event of a change of control of the Company, the Company is obliged to offer to prepay the notes issued pursuant to the agreement.

Outstanding options granted under the SAYE Scheme and the May Gurney Integrated Services PLC Savings Related Share Option Scheme 2007 may be exercised within a period of six months from a change of control of the Company following a takeover bid (or will lapse upon the expiry of such a period).

Awards granted under the Group's long-term incentive plan (which is described in the Remuneration Report) may vest on a change of control of the Company following a takeover bid and the maximum number of shares in the Company to be awarded upon such vesting may become immediately due.

There are no agreements between the Company and its directors providing for compensation for loss of office that occurs as a result of a takeover bid.

Branches

Because the Group is a global business, it has activities operated through branches in certain jurisdictions.

Auditor

The Board has decided that PricewaterhouseCoopers LLP will be proposed as the Group's auditor for the financial year ending 30 June 2016 and a resolution relating to this appointment will be tabled at the forthcoming AGM.

Each director who holds office at the date of approval of this Directors' Report confirms that, so far as each such director is aware, there is no relevant audit information of which the auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AGM

The Company's 2015 AGM will be held at 12 noon on 12 November 2015 at the Andaz Hotel, 40 Liverpool Street, London, EC2M 7QN.

The Directors' Report was approved by the Board on 16 September 2015 and signed on its behalf by:

Hugh Raven
Company Secretary
Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Corporate governance
Statement of directors' responsibilities

Introduction
The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law ('UK Generally Accepted Accounting Practice').

Under company law, the 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 parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRS, as adopted by the EU;
- For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, a directors' remuneration report and a corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement
Each of the directors of Kier Group plc, whose names and functions are set out on pages 64 to 66 (inclusive), confirms that to the best of his or her knowledge:

- The financial statements contained in this annual report and accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole;
- The management report contained in this annual report and accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- This annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board by:

Haydn Mursell
Chief Executive

Bev Dew
Finance Director