Kier at a glance

Our vision is to be the UK's leading infrastructure services and construction company

Kier in numbers:

+21,000km
Of roads maintained

c.47,000
School places delivered for the Department of Education over 6 years

c.10m
Homes we help to keep powered

646
Apprenticeship opportunities delivered

Our values

Trusted
We deliver what we promise. We act safely and ethically and we care for the environment and the communities in which we work.

Collaborative
We enjoy what we do and work closely with clients and stakeholders to reach innovative solutions.

Focused
We are clear in our approach. We are disciplined and thorough in how we work and deliver for our clients and customers.

Our strategy

The Group is focused on the successful delivery of its medium-term targets:

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

Kier:

Is focused on government, regulated or blue-chip client base

Operates in business-to-business markets

Contracts through long-term frameworks

Our strategy from page 20

Sustainability

Lives at the heart of our purpose and informs everything we do at Kier

More on sustainability from page 42

Creating value for our stakeholders

Our shareholders

£132.3m

Free cash flow generated

Our people

c.10,000

Employees

Our supply chain

c.69%

Subcontract spend with SMEs

Communities

£487k

Donated to youth homelessness charities throughout the partnership

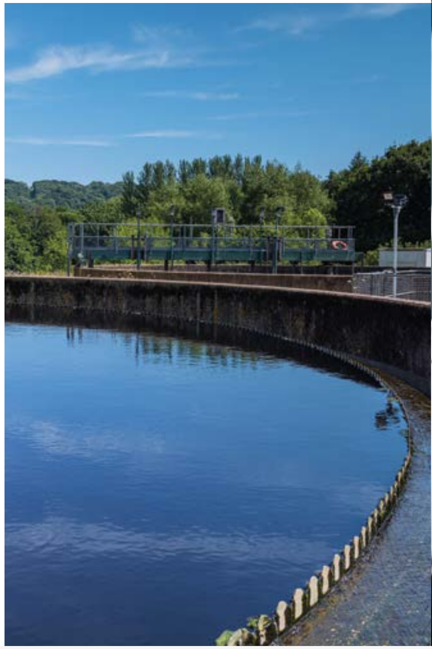
See Our stakeholders on page 70 for more information on how we engage with them

Governance

The Board has continued its focus on the delivery of our strategy and medium-term value creation plan ensuring we promote long-term success and generate value for shareholders and stakeholders.

An overview of our corporate governance structure, policies and practices as well as the key activities undertaken by the Board and its Committees are set out in the Corporate governance report.

More on Governance from page 92



Our operations

We are a leading provider of Infrastructure Services, Construction and Property developments. We are committed to delivering for communities and leaving lasting legacies through our work.

See our Operational review on pages 24–31

Delivering infrastructure to future-proof the UK

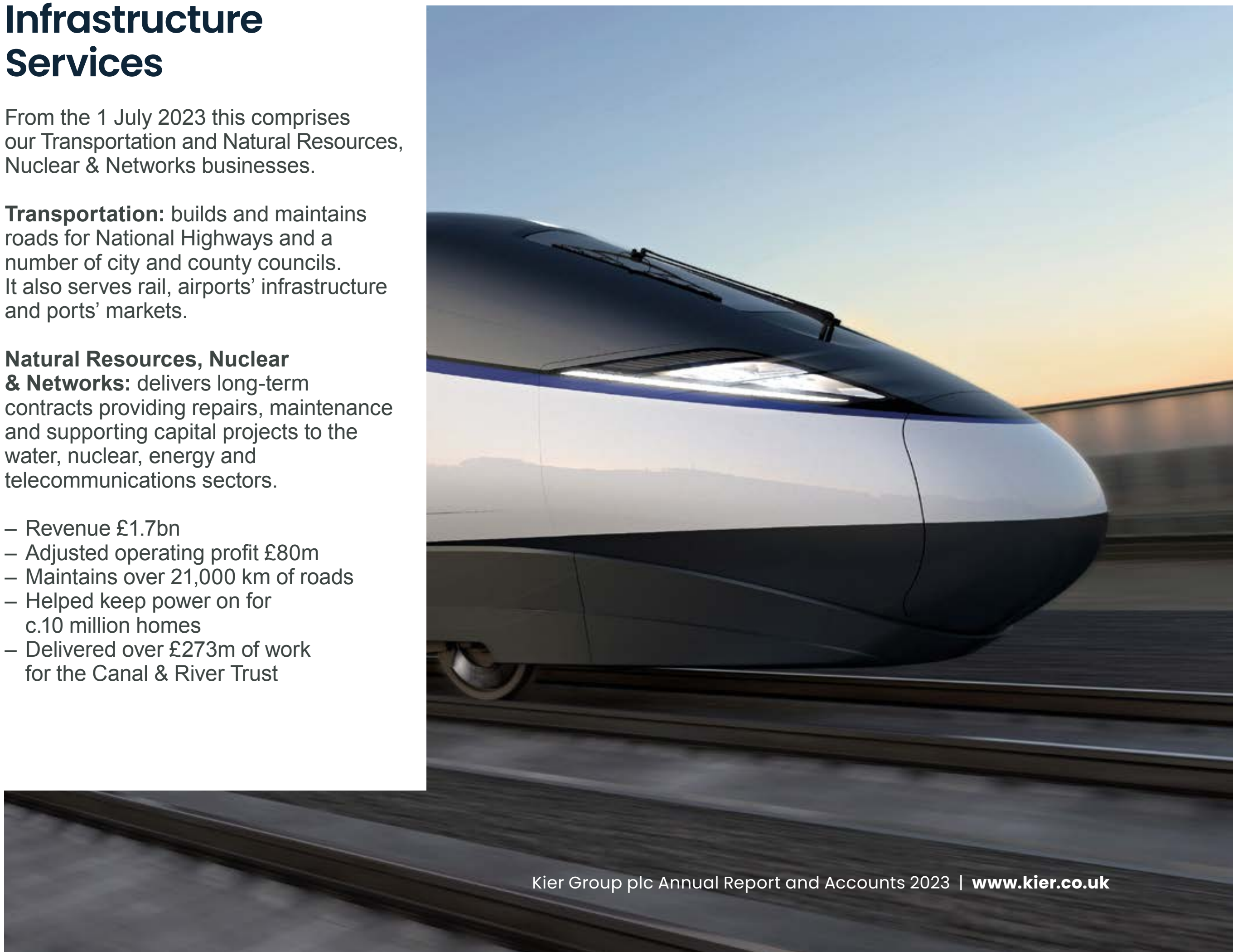
Infrastructure Services

From the 1 July 2023 this comprises our Transportation and Natural Resources, Nuclear & Networks businesses.

Transportation: builds and maintains roads for National Highways and a number of city and county councils. It also serves rail, airports' infrastructure and ports' markets.

Natural Resources, Nuclear & Networks: delivers long-term contracts providing repairs, maintenance and supporting capital projects to the water, nuclear, energy and telecommunications sectors.

- Revenue £1.7bn
- Adjusted operating profit £80m
- Maintains over 21,000 km of roads
- Helped keep power on for c.10 million homes
- Delivered over £273m of work for the Canal & River Trust



Supporting essential public service demands

Construction

Construction comprises of our Regional Building, Strategic Projects, Kier Places and International businesses. Kier is a leading UK national contractor, providing project delivery for the public and private sectors across a number of sectors including education, healthcare, custodial and defence.

- Revenue £1.7bn
- Adjusted operating profit £70m
- Completed 250 education projects
- Completed 135 healthcare projects over 5 years
- Provides facilities management for over 2,100 buildings

Creating spaces for communities to thrive

Property

Our Property business invests and develops schemes and sites across the UK. It concentrates on mixed-use commercial and residential development business delivered through joint venture partnerships.

- Revenue £38m
- Adjusted operating profit £13m
- Pipeline of +4,500 residential units
- Maintained c.£1.5bn GDV pipeline of development opportunities
- Delivered or in control of 6.7m ft^2 of industrial space

Chairman's statement

"We are confident that we can deliver the medium-term value creation plan and that Kier can continue to evolve and deliver, to all stakeholders, in the long-term."

MATTHEW LESTER
Chairman

Introduction

Welcome to our 2023 Annual Report.

I am pleased to report that the FY23 performance means the Group remains on track to deliver our strategy and our medium-term value creation plan despite another year of inflationary pressures and economic uncertainties. The Group has continued to strengthen financially through disciplined contract selection, operational delivery and embedding Performance Excellence processes.

I would like to thank the shareholders who took the time to engage with me earlier this year which enabled me to continue our dialogue and hear their views on a range of matters such as progress against our strategy, our performance, executive remuneration, people and ESG matters. Their views and feedback build into the Board's decision making and also into our triennial review of our Directors' Remuneration Policy consultation programme.

The Board has set itself objectives covering execution of the medium-term value creation plan, ensuring it understands the business thoroughly, people development and leadership, ESG and culture. I will touch here on the highlights of our work on these objectives.

Performance

Group revenue year-on-year has increased to £3.4bn (FY22: £3.3bn). The order book has increased to £10.1bn, a 3.1% increase compared to the prior year. The Group continued to win new, high-quality and profitable work and this gives us a strong platform for success in future years.

The Group's adjusted operating profit grew by 9.1% to £131.5m (FY22: £120.5m). Reported profit after tax was £41.0m. There has been a significant improvement in the year-end net cash balance of £64.1m (FY22: £2.9m) and free cash flow was £132.3m (FY22: £54.6m). Given the Group's strong operational and financial performance over the last year, the year-end net cash position and confidence over further progress in the short term, the Board is able to confirm its intention to commence dividend payments to shareholders. Over time, we will progress to deliver a dividend, covered 3x by earnings and in a payment ratio of one-third interim dividend and two thirds final dividend. The first dividend is expected to be announced alongside the FY24 interim results.

Culture

To enable the Board to ensure that the Group's purpose, values and strategy are aligned with our desired culture, it received feedback from key stakeholders such as customers and UK Government, as well as employee feedback through surveys and Visible Leadership Tours. Most importantly, Non-Executive Directors visited and engaged with local teams at 25 sites and offices to make a direct assessment on how our cultural objectives were being met.

In FY23, we launched a culture programme, building on the strong foundations we have been putting in place, the aim of which is for us all to shape a safe, collaborative and high-performing culture where our people feel they can belong, contribute and want to do their best work. The Board has had a deep dive into the culture programme to understand the behaviours that support our values and culture and how we will measure success.

More information on culture and employee engagement is set out in the Corporate governance report from page 92.

Our people

The Board would like to thank our people for the delivery of another year of strong performance. We will continue to review the rising cost of living and consider taking further steps as appropriate. Further details of all the initiatives to support our people through the cost of living crisis are set out on pages 14 and 15.

The Remuneration Committee is very mindful of the experience of our people and takes into account their remuneration when deciding executive remuneration.

We want to send our people home safely every day and we are pleased with the progress this year on our Accident Incident Rate reduction. This continues to be an area of focus for the Board, given its importance and we will continue working towards our objective of having zero incidents.

The Board has spent significant time looking at our people agenda. We are really encouraged by the focus on developing our talent through a variety of training programmes and the focus on individuals achieving their full potential through their own development. See page 58 where this is described. We continue to review the capability and development of our most senior management to ensure we have the necessary succession capacity to support the medium-term plan and beyond.

Pensions

Very important stakeholders in Kier are the c.4,800 pensioners most of whom depend on their income from Kier's legacy defined benefit schemes. When the current management team arrived in 2019, the schemes were in deficit. As a result of significant deficit contributions, and most importantly, an improvement in the quality of Kier's financial position, at 31 March 2022 the schemes were in net surplus. Accordingly not only have Kier's contributions going forward been reduced, but these pensioners position is substantially more secure. This is another example of steps delivered to ensure that Kier is fundamentally sustainable.

Environmental, Social and Governance ('ESG')

ESG is fundamental to Kier's ability to win work and secure positions on long-term UK Government frameworks and UK Government contracts above £5m require, net zero carbon and social value commitments. The Board through our ESG Committee, has been monitoring our progress against environmental and social targets. We also looked at climate adaptation and what we can do to combat climate change by minimising our environmental impact and how Kier can support clients on their decarbonisation agenda.

Our sustainability framework, Building for a Sustainable World, has evolved to ensure that we address the topics that are most important to our stakeholders and focus where we can have the most impact. This framework focuses on the three key pillars of Our People, Our Places and Our Planet. For each framework pillar we are outlining our short, medium and long-term targets together with our associated milestone plans to ensure we continue to align to our stakeholders' priorities, achieve interim targets and take strategic actions. More information is given on page 44.

A milestone plan setting out the key activities and timelines to reach our carbon targets was reviewed and agreed during the year. We have also agreed the inclusion of scope 1 & 2 carbon reduction targets into the Long-Term Incentive Plan and this will be effective from 1 July 2023, subject to the approval of the Directors' Remuneration Policy by shareholders at the 2023 AGM.

Further information on our work in ESG is set out in the Building for a Sustainable World report on pages 42–61 and in the ESG Committee report on pages 112–115.

Diversity

Having a workforce and leadership that reflects the communities Kier supports is integral to our culture. Achieving this will take time and a variety of initiatives consistently delivered. The Building for a Sustainable World report describes our objectives, progress and initiatives.

This needs to be supported by an appropriately diverse Board and I am pleased to report we continue to make progress as noted opposite.

New Board members

Dame Heather Rabbatts decided not to stand for re-election this year and stepped down from the Board in March 2023. I would like to say how much we appreciated all that Heather brought to the Board and her leadership of the Remuneration Committee.

I am delighted to welcome Margaret Hassall who joined the Board on 5 April 2023 as an Independent Non-Executive Director and the Chair of the Remuneration Committee replacing Dame Heather Rabbatts. Margaret is currently a Non-Executive Director and Chair of the Remuneration Committee at AJ Bell plc. She also brings technology experience. Margaret is an experienced Remuneration Committee Chair and has been leading on our triennial review of our Directors' Remuneration Policy. More information on our proposed changes to the Directors' Remuneration Policy and the outcome of our engagement with shareholders is set out in the Directors' Remuneration report.

As reported last year, Chris Browne OBE joined the Board as an Independent Non-Executive Director on 15 September 2022. She brings significant experience in commercial and operational areas.

Looking forward

By building strong foundations, ensuring we carefully consider our customers' needs and ensuring we have the right people with the right capabilities to meet these needs, management has re-established Kier's reputation, as demonstrated by our strong order book. To have a sustainable future of long-term value creation, the business must have a culture that attracts and retains high-quality people and brings out the best in them. The Board has focused its time on ensuring these building blocks are in place. This year's financial results are a clear indication of the effectiveness of the approach. Accordingly, we are confident that we can deliver the medium-term value creation plan and that Kier can continue to evolve and deliver, to all stakeholders, in the long-term.

Matthew Lester
Chairman

Chief Executive's review

"The Group is well positioned to continue benefitting from UK Government spending commitments and we are confident in sustaining the strong cash generation evidenced this year."

ANDREW DAVIES
Chief Executive

Introduction

Over the last two years, Kier has undergone a transformation, rationalisation and recapitalisation. The Group announced and committed to a medium-term value creation plan in FY21 and our focus has been to deliver against the targets we set.

The medium-term plan focused on increasing revenue, increasing margin and increasing operating cash generation thus enabling debt reduction providing a stronger balance sheet with a commitment to reintroducing dividends at the appropriate time. FY23 saw a significant improvement in the net cash balance to £64.1m which gives us a clear line-of-sight to an average net cash position and gives the Board confidence in announcing its intention to return to the dividend list in the current financial year.

The success for future years is underpinned by the year-end order book growing to £10.1bn in FY23, an increase of 3.1% against the prior year, reflecting a large number of contract wins across all divisions and providing multi-year revenue visibility. Long-term framework positions, as well as pipeline opportunities and income from the Property division, are excluded from the order book and represent an additional opportunity. Given the order book strength and Kier's framework positioning, approximately 85% of Group revenue for FY24 is already secured which provides us with a high degree of confidence of further progress against a backdrop of wider market uncertainty.

Kier won new, high-quality and profitable work in our markets reflecting the bidding discipline and risk management embedded in the business.

Medium-term value creation plan

The Group is focused on delivering its medium-term targets over a three-to-five-year period:

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

The Group aims to achieve these medium-term targets through:
– volume growth and improved contract profitability
– continued management discipline
– deploying additional capital in the Property business.

The Group continues to make good progress against these targets with free cash flow conversion and profit margins met consistently over the past reporting period. Despite political and economic uncertainties, our core markets have remained favourable. We are a 'strategic supplier' to the UK Government and c.94% of our contracts are with the public sector and regulated companies.

Key investment proposition

Value accretive earnings-led business model

- Aligned to the UK Government's investment priorities and critical to the economic recovery of the UK
- Integrator with design, project management, engineering, logistics, supply chain management and ongoing maintenance capabilities

Attractive market positions

- Attractive market positions in growing markets
- Focused on UK markets in Infrastructure Services and Construction
- Delivery capability at both national and regional levels in the UK

Strong order book underpinned by frameworks

- Established position in core markets underpinned by long-term contracts and framework agreements
- Order book of £10.1bn
- We have places on agreements with an advertised value of up to £137bn (OJEU values) across all of our core markets covering both national and regional geographies and market sectors
- Contracts across a number of sectors including healthcare, education, custodial and defence
- Contracting with the UK Government, regulated and blue-chip clients
- Long-standing customers and suppliers

Management team with expertise and track record of delivery

- Proven track record of operational and financial delivery
- Successfully executed an ambitious self-help programme and right-sized the business
- Performance Excellence embedded in organisation to manage risk
- Financial discipline in quoting new contracts and capital allocation
- Continuing focus on business improvement efficiencies and managing costs

Executive Committee

Executive Board members

ANDREW DAVIES
Chief Executive

SIMON KESTERTON
Chief Financial Officer

Corporate functions

ALPNA AMAR
Corporate Development Director

LOUISA FINLAY
Chief People Officer

SOPHIE TIMMS
Corporate Affairs Director

Group Managing Directors

ANDREW BRADSHAW
Group Managing Director
Natural Resources, Nuclear & Networks

JOE INCUTTI
Group Managing Director
Transportation

MARK PENGELLY
Managing Director
EKFB

LEIGH THOMAS
Group Managing Director
Property

STUART TOGWELL
Group Managing Director
Construction

For more information on our Executive Committee, please refer to www.kier.co.uk

Customers and winning new work

We remain focused on winning work through our long-standing client relationships and regionally based operations.

Highlights in the year:
- **Highways:** appointed by National Highways to carry out an essential maintenance programme on eight viaducts at Lune Gorge, spanning the M6
- **Utilities:** reappointed to the £55m per annum, three-year extension of the Network Service Alliance framework by South West Water and Bournemouth Water
- **Construction:** appointed to the £5.1bn Strategic Alliance Contract Framework in relation to the Defence Estate Optimisation ('DEO') Portfolio by the Ministry of Defence; re-appointed to the £4.5bn Southern Construction Framework
  - Kier Places – appointed by L&Q for its Major Works Investment Programme to deliver housing maintenance across its estate
- **Property:** started work on site at our Trade City scheme in Manchester.

Strategy

The simplification and strengthening of the Group's balance sheet has resulted in Kier being well-placed to continue to pursue its strategic objectives successfully within its chosen markets and allow it to further enhance and capitalise on its position as a strategic partner to its customers.

The Group's strategy continues to be focused on:
- UK Government, regulated industries and blue-chip customers
- operating in the business-to-business markets
- contracting through long-term frameworks.

Our core businesses are well-placed to benefit from the UK Government spending commitments to invest in infrastructure and the significant investment plans announced by regulated UK asset owners. We have secured places on long-term frameworks through which much of the increased spend will be deployed.

This, combined with our regional coverage, customer relationships and project management expertise, will enable our strategic actions of disciplined growth, consistent delivery and strong cash generation.

Financial summary

Kier's revenue of £3.4bn (FY22: £3.3bn) reflects growth in both the Infrastructure Services and Construction segments, offset by the anticipated reduction in the Property segment driven by market conditions.

The Group's FY23 results demonstrate a strong performance despite continuing cost inflation relating to materials, wages and other costs. We remain successful in mitigating these pressures through having c.60% of our order book under target cost or cost reimbursable contracts, procurement strategies and negotiations on fixed price contracts. With over 400 live projects at any given time, we are also regularly delivering existing contracts and pricing new contracts which mitigates against cost pressures. In addition we have an average order size of c.£16m in our Construction business which given its modest size, limits our risk exposure in the event a project does not go to plan.

The Group delivered adjusted operating profit of £131.5m which represents a 9.1% increase on the prior year (FY22: £120.5m). Both our Infrastructure Services and Construction segments performed well in the year, partially offset by the expected reduction in transactions within the Property segment. Group adjusted operating profit margin increased by 20 basis points to 3.9% (FY22: 3.7%). Reported profit from operations increased 80.7% to £81.5m (FY22: £45.1m) with a reduction in adjusting items.

Adjusted earnings per share increased 14.3% to 19.2p (FY22: 16.8p) and reported earnings per share increased 228% to 9.5p (FY22: 2.9p) as revenue converted to profitability and adjusting items reduced.

The Group generated £132.3m of free cash flow in FY23 (FY22: £54.6m), a significant increase over the prior year. The Group's revenue growth in Infrastructure Services and Construction converted to increased profit and cash. In addition, the Group experienced a seasonal working capital inflow of £80.3m, predominantly driven by Construction.

The Group's net cash position at 30 June 2023 was £64.1m (FY22: £2.9m) with supplier payment days remaining consistent with the prior year.

Average month-end net debt for the year ended 30 June 2023 was £(232.1)m (FY22: £(216.1)m). As outlined in our FY22 results, the Group expected an increase in average month-end net debt due to the anticipated repayment of debt-like items such as KEPS and lower activity in our Construction business until the fourth quarter of the year. The average month-end net debt balance of £(232.1)m was better than expected due to mitigating actions taken through the year. The Group used positive operating cash flow to repay the average KEPS balance of £56.2m, to pay pension deficit obligations and to repay the remaining HMRC COVID-19 support of £6.1m.

The Group fully repaid its remaining £49.8m KEPS programme in July 2022 followed by a repayment of all its Schuldschein Notes and certain US Private Placement ('USPP') Notes totalling £43.8m. The Group's Revolving Credit Facility ('RCF') also reduced by £40m, in line with the facility agreement.

"After the year-end, Kier agreed to acquire substantially all of the rail assets of Buckingham Group Contracting Limited ('in Administration') and their HS2 contract supplying Kier's HS2 joint venture, EKFB, for a total cash consideration of up to £9.6m."

Capital allocation

In addition to the medium-term value creation plan, the Group has set out its capital allocation priorities. The Group maintains a disciplined approach to capital and continuously reviews capital allocation priorities with the aim of maximising shareholder returns. The Group's capital allocation is underpinned by its commitment to maintain a strong balance sheet. The capital priorities are:

- **Capex** – investment to support its businesses
- **Property** – disciplined non-speculative investment in the Property segment
- **Deleveraging** – further deleveraging. Targeting a sustainable net cash position in the medium-term and a funding profile which is appropriate for the medium and long-term needs of the Group
- **Dividend** – reinstating the dividend is key to ensuring that shareholders share the benefits of the Group's growth. In the medium-term, the Group is targeting a dividend cover of around three times through the cycle
- **Mergers and acquisitions** – the Group will consider value accretive acquisitions in core markets where there is potential to accelerate the medium-term value creation plan.

Dividends

As part of the medium-term value creation plan, the Board intended to reinstate dividends when a near-term pathway to operating with an average net cash position was clear.

Given the Group's strong operational and financial performance over the last year, the year-end net cash position and confidence over further progress in the short term, the Board is able to confirm its intention to commence dividend payments to shareholders. Over time, we will progress to deliver a dividend, covered 3x by earnings and in a payment ratio of one-third interim dividend and two-thirds final dividend. The first dividend is expected to be announced alongside the interim results.

Acquisition

On 4 September 2023, after the year-end, Kier agreed to acquire substantially all of the rail assets of Buckingham Group Contracting Limited ('in Administration') and their HS2 contract supplying Kier's HS2 joint venture, EKFB, for a total cash consideration of up to £9.6m.

The Group has previously stated it would consider value accretive acquisitions in core markets where there is potential to accelerate the medium-term value creation plan. This is an excellent example of an acquisition which provides a cultural fit as well as accelerates Kier's broader rail strategy.

Kier is delivering a number of projects across the rail sector including a £65m upgrade to Oxford Railway Station. The acquisition provides Kier with new rail clients and increases our capabilities across the UK. The acquisition also brings c.180 employees to the Group consisting of high-quality individuals with expertise in the rail sector, further enhancing Kier's talent pool.

The rail assets consisted of design, build and project integration contracts for a range of customers including Network Rail. In addition, the Group acquired a limited amount of working capital in the form of trade debtors, work in progress and client retentions. The transaction was implemented by way of a purchase out of administration.

Kier observes a disciplined risk management process, a result of which is that historical contractual liabilities recognised prior to the completion date were not acquired. The acquisition also provides operational stability and defensiveness to Kier's HS2 joint venture, EKFB.

Given its modest size, the Group does not believe this will materially impact its forecasts for FY24, nor its year end net cash or average net debt position. For FY25, the Group expects acquisition revenue of c.£50m–£75m.

Supporting apprenticeships

As a people-based business whose performance depends upon our ability to attract and retain a dedicated workforce, we have around 6% of our workforce on apprentice schemes

Pension
During the year the Group agreed the triennial valuation for funding its defined benefit pension schemes. Given the Group's improved pension covenant and payments made under the existing schedule of contributions, the schemes are now in a significantly improved position, resulting in reducing deficit contributions to be made over the coming years concluding in FY28.

Performance Excellence
Through our Performance Excellence culture, which was introduced in 2020, Kier has embedded a strong operational and financial risk management framework across the Group. It is essential to, and embedded into, Kier's contract selection and delivery processes

Following the evolution of the Performance Excellence programme during 2022, the focus in 2023 has been on the five workstreams of Culture and Behaviours, Customers, Digital, Simplification and Wellbeing. These workstreams ensure we continue to meet our obligations to the environment and the communities we work within, as well as our investors and client expectations.

The key tenets are as follows:
- measure clients' and customers' experiences objectively, using data to improve our external relationships
- adopt a digital-first approach through a digitally enabled workforce increasing productivity
- instil best practices in our workforce through behaviour, cultural programmes, and wellbeing initiatives
- simplify processes across the Group
- win new business with attractive margins.

Performance Excellence is also fundamental to the Group's overall approach to safety. We aim to continually improve the Group's processes and performance by operating through this framework.

The Group's focus for FY24 will be on Digital and Simplification.

Supply chain partners
We continue to focus on maintaining and growing relationships with our key stakeholders, including our supply chain. Many of our suppliers are long-term partners of the Group and we value their contribution.

We were pleased to report that, in our latest Duty to Report on Payment Practices and Reporting submission, covering the period from 1 January 2023 to 30 June 2023, the Group's aggregate average payment days was maintained at 34 days (H1: 34 days) and the percentage of payments made to suppliers within 60 days was 85% (H1: 87%).

We are committed to further improvements in our payment practices and continue to work with both customers and suppliers to achieve this. We are fully committed to complying with the 30-day payment requirements for small and medium sized firms.

Management change
The Group has continuously focused on the strength of its talent and succession management. This was demonstrated in the year with Louisa Finlay's promotion to Chief People Officer. Stuart Togwell was appointed as Group Managing Director, Construction.

Environmental, Social and Governance ('ESG')
Kier's purpose is to sustainably deliver infrastructure which is vital to the UK. As a 'strategic supplier' to the UK Government, ESG is fundamental to our ability to win work and secure positions on long-term frameworks. UK Government contracts with a value of or above £5m require net zero carbon and social value commitments.

In 2023 we reinforced our commitment to Kier's and Government's ESG targets through the launch of our refreshed sustainability framework, 'Building for a Sustainable World' which covers sustainability from both an environment and social perspective. Our framework has evolved to focus on three key pillars of Our People, Our Places and Our Planet with new metrics to monitor progress.

We believe that to be a responsible business and to play a leading role in our industry, we must address both the impact of climate change and leave a lasting legacy in the communities in which we operate.

Environment
The Group has set out its pathway to become net zero carbon across all business operations by 2039 (scope 1 & 2), value chain (scope 3) by 2045 together with interim targets.

FY23 was another year of progress and we achieved an 18.7% year-on-year reduction in carbon emissions from our business operations (scope 1 & 2). We have worked with partners to refine our scope 3 carbon measurement. This indicated a reduction of c.7% in scope 3 emissions in the year. The Group re-based its scope 3 emissions as it further expanded the categories included in its emissions reporting.

The net zero carbon milestone plan for scope 1 & 2 has been updated as we evolve our Building for a Sustainable World framework. As Kier is a Tier 1 supplier, the majority of its carbon emissions relate to the use of fuel, either on our sites or travel to our sites.

Accordingly, our pathway to being net zero by 2039 includes the following key short and medium-term actions: rolling out ultra-low emission and electric vehicles across our fleet; ensuring all sites and facilities use energy efficient technology; reviewing opportunities to self-deliver electricity; enhanced data management with supply chain and increase usage of design to address scope 3.

The plan is designed to help deliver our FY30 near-term targets of:
– a 66% absolute reduction in scope 1 & 2 emissions; and
– a 42% absolute reduction in scope 3 emissions.

As well as reducing our own carbon footprint, Kier continues to work with its clients to design out carbon from UK infrastructure projects and with our supply chain to reduce their carbon emissions.

Social
The Group's 12-month rolling Accident Incident Rate ('AIR') in FY23 of 88 represents a decrease of 23% compared to FY22 and indicates that the focus given to it during the year and our approach to risk is improving our safety management.

The Group's 12-month rolling All Accident Incident Rate ('AAIR') in FY23 of 320 increased by 1%.

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

Kier is a people-based business and our performance depends upon our ability to attract and retain a dedicated workforce. During FY23 we had:
– 646 apprentices participating in programmes, representing c.6% of our workforce
– graduate intake of 115 of which 43% comprised of women
– developed and implemented a new health, safety and wellbeing strategy as well as launched a new behavioural programme.

We continue to deliver apprenticeships as a key means of upskilling employees and bringing in diverse emerging talent to reduce the industry skills gap. We contribute to a variety of educational engagement activities, including playing a leading role in Open Doors Week and Teacher Encounters, to introduce students and teachers to the construction industry.

Governance
Governance is a core component of the Group's approach to operations. Governance is delivered within Kier's Operating Framework. The laws, policies and procedures underpinning the Operating Framework are regularly reviewed and updates implemented as necessary. Within the Operating Framework is Kier's Code of Conduct which sets the corporate compliance agenda.

Integral to this is our management of risk. We ensure that risk management is adopted at every stage of the project lifecycle to ensure that the delivery of the Group's order backlog remains profitable and cash generative in line with our medium-term value creation plan.

Our people
I would like to thank our c.10,000 people for their dedication, contribution and commitment throughout the last year and this is reflected in the performance of the Group and the significantly improved financial position.

People are at the heart of our Group and we ensure that we pay them a competitive wage and offer support through the cost of living crisis. Since April 2021 the Group has been an accredited Real Living Wage employer. The cost of living crisis has resulted in the Group accelerating the application of the Real Living Wage from April to January, for c.850 people and we are working to extend this to all those employed on a Kier site. Kier employees received on average a 4% pay rise in FY23 and we intend to offer a further pay rise of up to 5% in FY24.

"Focus has also been made on wellbeing including such initiatives as Employee Voice. We are currently extending our culture and behavioural programme."

We have also focused on many other areas of employee welfare and support with other key initiatives such as:

- **Inflation support payment** – we awarded c.800 employees with an inflation support payment of £300 in November 2022. This payment was in addition to the pay increases noted earlier and was targeted to provide financial support to those who we believe are most challenged with the high increases in food, energy and household bills.
- **Enhanced sick pay** – we have also implemented enhanced sick pay terms for our lowest paid employees, providing them with increased financial peace of mind if they are absent from work due to sickness.
- **Financial support** – financial support for employees is always an important area and has been magnified by the cost of living pressures. For our workforce that need additional financial support we have introduced support and guidance in the form of Salary Finance. Salary Finance provides education and a savings option through HMRC's Help to Save scheme as well as responsible loans.
- **Mortgage advice** – we have arranged a bespoke service, providing our employees with free professional mortgage and financial advice.

We are continuing to review the rising cost of living on our lowest paid employees and contingent workers. We will consider taking further steps as appropriate.

Focus has also been made on wellbeing including such initiatives as Employee Voice, a survey which enables employee engagement. We are currently extending our culture and behavioural programme across our people and by listening to them, our surveys show a 65% employee engagement score for FY23, an increase from the previous year (FY22: 58%).

Summary and outlook

The Group has achieved considerable operational and financial progress over the last two years. This is reflected in the significantly improved financial performance of the Group over the last year and is testament to the hard work and commitment of our people who have enhanced our resilience and strengthened our financial position in line with the objectives set out in our medium-term value creation plan. Our order book remains strong at £10.1bn and provides us with good, multi-year revenue visibility. The contracts within our order book reflect the bidding discipline and risk management now embedded in the business. I am also particularly pleased to report the Group significantly improved its year end net cash position and has confidence in sustaining this momentum going forward.

The new financial year has started well, and we are trading in line with our expectations. The Group is well positioned to continue benefiting from UK Government infrastructure spending commitments and we are confident in sustaining the strong cash generation evidenced this year. This, combined with on our focus on operational delivery, gives the Group a clear line-of-sight to significantly de-lever. As a result, the Group intends to resume dividend payments during FY24, with the first dividend to be declared alongside our interim results.

Andrew Davies
Chief Executive

Our business model

About us

We are a strategic supplier to the UK Government with key strengths in education, healthcare, custodial and defence.

We have framework agreements in place, creating barriers to entry and long-term revenue streams.

We have a strong order book worth up to £10.1bn across key sectors.

c.94%
of Kier's revenue is derived from the public sector and regulated clients

400+
live projects running across the UK at any given time

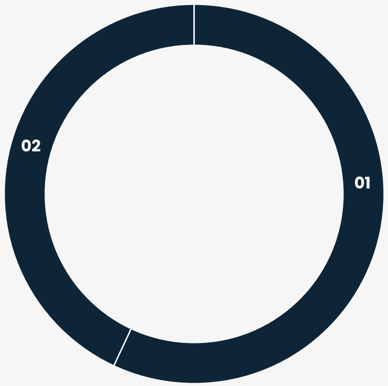
£137bn
value of long term frameworks on which we have a position

What we do

We hold attractive positions in our markets where we operate with scale and have leading delivery capability at both national and regional levels. We are a long-established, leading UK infrastructure and construction supplier with c.100 years' experience.

Read more in Kier at a glance on page 2

Our order book across key sectors (%)



01 **57%** Infrastructure Services
02 **43%** Construction

Infrastructure

Transportation

This business division provides design, engineering, delivery and maintenance to support the movement of people, goods and equipment by land, sea and air. It includes our existing highways business and infrastructure projects relating to rail, ports and air.

Natural Resources, Nuclear & Networks

Our Natural Resources, Nuclear & Networks business division provides design, engineering, delivery and maintenance that protects and supports essential services across the UK. It includes our existing utilities business and infrastructure projects related to water, nuclear and other greener energy provisions, connected networks and environmental restoration and protection.

Construction

Regional Build

Our Construction business is a national builder offering a regional service through our 26 offices throughout the UK. The local footprint allows us to provide consistent local teams who build client and site knowledge, support collaboration with national and local clients, SME's and communities. We have key relationships in education, healthcare, custodial and defence which is aligned to UK Government infrastructure spending priorities as well as being key to delivering their environment and social value commitments.

Kier Places

The business provides two main services:
1) Facilities management service for public sector clients with specialist teams who have mechanical and electrical expertise.
2) Housing maintenance services for local authorities, housing associations and social landlords with capabilities including maintenance, fire safety, remediation, capital works and decarbonisation.

Property

Our property business invests and develops sites across the UK acting as a mixed-use commercial and residential developer, specialising in urban regeneration, last mile logistics and modern sustainable office developments working in joint venture with public and private sector clients.

Why our clients choose us

Design and engineering capability

Technical – preparing technical designs and undertaking supporting work for capital projects, through our team of designers.

Modern Methods of Construction ('MMC') – utilising MMC to maximise efficiency in timing, labour costs and supporting net zero ambitions.

Build – design support ranging from initial scheme feasibility to as-built phases.

Support – structural and civil engineering designers providing technical advice, building services and support across our network of UK offices.

Specialist expertise in project management

Experienced in delivering large-scale civil engineering projects, highways and utilities capital and maintenance works and developing properties.

Managing highly complex projects across business units.

Design, integration and delivery capabilities.

Working with multiple stakeholders.

Strong delivery culture

The Group aims to have consistency in our approach to people, projects, processes, cash management and future ways of working.

We continue to share best practice and look for continuous improvements across the Group. We have embedded the governance required under our Code of Conduct and Operating Framework.

Our Performance Excellence culture, which is underpinned by our values; collaborative, trusted and focused is supporting our focus on continuous improvement across the Group and helping us to deliver on our Purpose.

A responsible approach to sustainability

ESG is fundamental to our ability to win work and secure positions on long-term frameworks. To successfully win contracts with the UK Government, we must demonstrate we can meet environmental and social value commitments under procurement policy notes PPN 06/20 and 06/21.

As c.94% of Kier's revenue is derived from the public sector and regulated clients, our ability to win work is dependent on delivering on our ESG commitments.

The value we create

Our business performance and value we create comes from the contribution of both our internal and external stakeholders:
– customers
– shareholders
– people
– supply chain
– communities

Read more about the value we create on pages 18-19.

Creating value for our

customers

We sustainably deliver projects and services vital for UK infrastructure and connectivity

The Group delivers products and services to customers on time and within budget through project management expertise and supply chain partnerships.

We support our main customer base, the UK Government, to deliver policy outcomes. Through our ESG activities, we support our customers on the path to achieving net zero emissions by 2050 and create vital social value.

Every region of our UK-wide business ensures consistent delivery wherever required.

shareholders

We deliver financial returns for reinvestment back into the business and for our shareholders

Shareholder returns

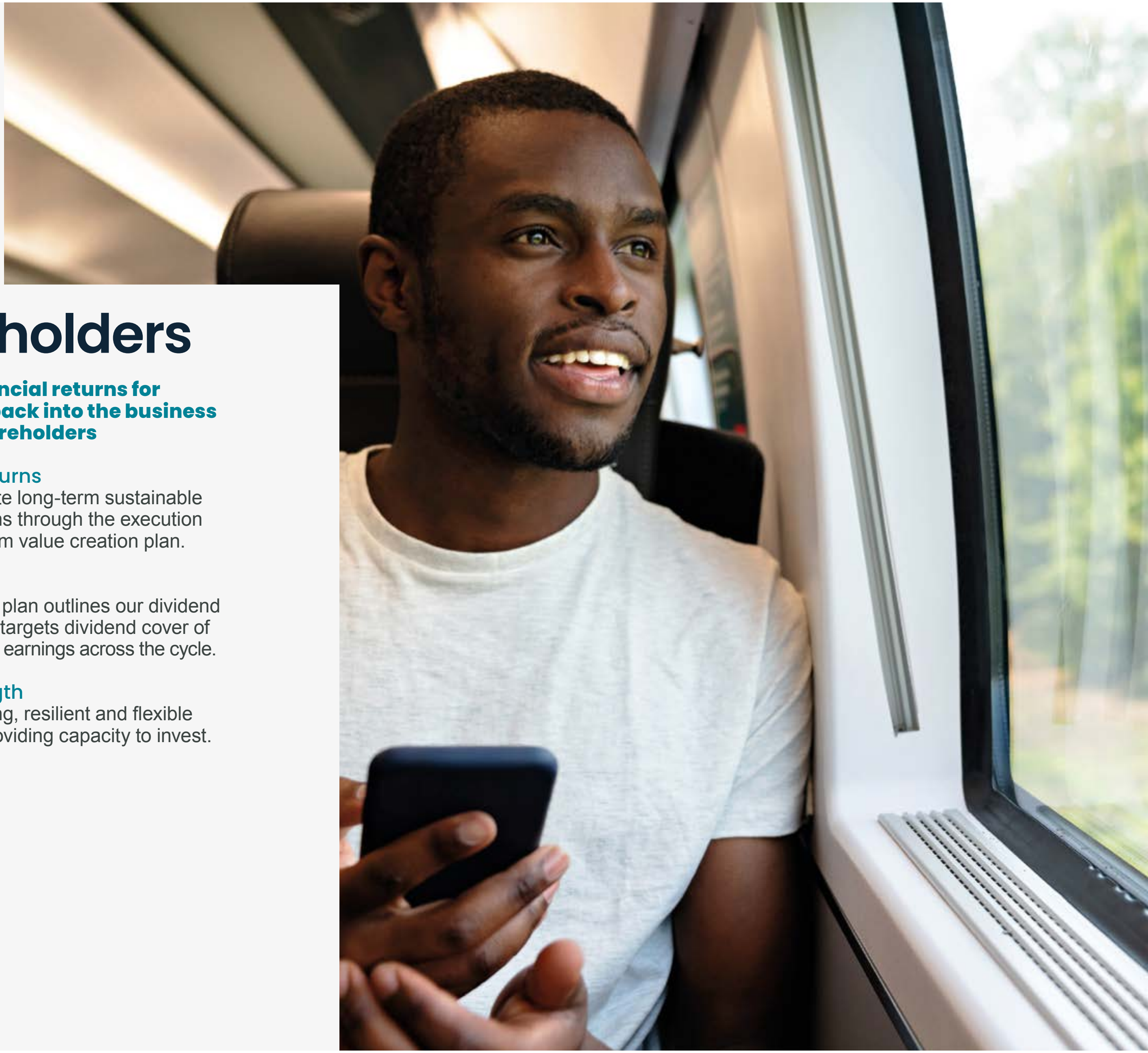
We aim to generate long-term sustainable shareholder returns through the execution of our medium-term value creation plan.

Dividend

Our medium-term plan outlines our dividend policy. This policy targets dividend cover of around three times earnings across the cycle.

Financial strength

Investment – strong, resilient and flexible balance sheet, providing capacity to invest.



people

Our people are at the heart of our business

Our people use their skills, knowledge and creativity to provide solutions to clients and customers and we are looking to bring a new generation of talent into the construction industry.

We ensure that our employees have skills and experience from a range of locations, sectors and backgrounds to reflect the communities where we work. We have various entry points to the Group, including graduate and apprenticeship opportunities.

Kier offers our colleagues a comprehensive rewards and benefits package, career development opportunities, an inclusive work environment as well as a range of family-friendly policies and wellbeing initiatives.

supply chain

We are able to operate at scale through the collective strength of our supply chain partnerships

Our supply chain partners are key to the success of the Group. They help us deliver our projects. It is important that the Group has an ethical, sustainable and resilient supply chain. During FY23 Kier spent c.69% of subcontracted expenditure with SMEs.

We work to build strong, collaborative relationships with our suppliers and invest in them by:
- Providing partner value through workshops, training and resources on sustainability
- Supporting our suppliers to meet high standards of compliance expected by us and our customers.

communities

We are mindful of our impact on communities and society

We benefit many communities through the creation of employment and continued support of employees.

Communities
We are focused on social sustainability by ensuring our actions directly and positively impact the communities we serve, and this in turn generates wider value for society.

Apprentices
The Group onboarded 322 apprentices in FY23. We have a total of 646 apprentices.

Kier Foundation
Kier Foundation is an independent charity. Our three-year partnership with homelessness charity, Every Youth, came to an end in FY23. During its partnership, Kier raised over £480k for this charity and delivered an additional £107k of pro bono work.

Our new partner is Trussell Trust, a charity working to stop UK hunger and poverty.

Our strategy

Our medium to long-term strategy focuses on leveraging our attractive market positions to sustainably deliver infrastructure which is vital to the UK.

OUR PURPOSE

To sustainably deliver infrastructure which is vital to the UK

OUR VISION

To be the UK's leading infrastructure services and construction company

OUR STRATEGY

Focus on government, regulated or blue chip client base

Operate in business to business markets

Contracting through long-term frameworks

STRATEGIC ACTIONS

Disciplined Growth + Consistent Delivery + Generate Cash

OUR BUILDING BLOCKS FOR SUCCESS

- **An integrator and strategic partnership**
- **Breadth, depth and diversity of talent**
- **Supply chain partnerships**
- **Innovation and digitalisation**
- **A culture of Performance Excellence**
- **Delivering sustainably**

OUR VALUES

- **Collaborative**
- **Trusted**
- **Focused**

We have four clear objectives to deliver on our strategic actions:

Objective 1
Leverage our attractive market share positions in growing markets

Objective 2
Maintain and enhance long-term customer relationships

Objective 3
Resilient and well-balanced portfolio

Objective 4
Deliver disciplined growth, consistent profitability and cash generation

Sustainability lives at the heart of our purpose and informs everything we do at Kier.

More on sustainability from page 42

Objective 1

Leverage our attractive market share positions in growing markets

Why this is vital

Supports the UK Government and asset managers deliver much needed Infrastructure Services including schools, hospitals, prisons, roads, rail and water treatment works.

£10.1bn
Order book as at 30 June 2023

c.94%
Revenue comes from Government and regulated contracts

Our progress this year

Infrastructure Services

Transportation

- Road – market-leading position
  - Established relationships with clients on long-term maintenance projects typically 5–10 years
- Rail – delivery partner on the largest section of High Speed 2 – Europe's largest rail project
- Air – appointed to Manchester Airports Group's £700m Capital Works Framework, working with our Construction business for Manchester, London Stansted and East Midlands airports
- Key contract wins include:
  - appointed by National Highways to carry out an essential maintenance programme on eight bridges at Lune Gorge, spanning the M6 motorway
- Over 90% of contracts will be delivered under cost reimbursable and target cost contracts

Natural Resources, Nuclear & Networks

- Water and Energy – top three contractor
- Over 85% of revenue from long-term contract and alliances
- Key contract wins include:
  - reappointed to the £55m per annum, 3 year extension of the Network Service Alliance framework by South West Water and Bournemouth Water

Construction

Regional Build

- Leading UK national contractor
- Strategic supplier to the Department for Education ('DfE'), Ministry of Justice ('MoJ') and Department of Health and Social Care ('DHSC')
- Key contract wins include:
  - appointed to the £5.1bn Strategic Alliance Contract Framework in relation to the Defence Estate Optimisation ('DEO') Portfolio by the Ministry of Defence
  - re-appointed to the £4.5bn Southern Construction Framework

Kier Places

- Facilities management provider to the UK Government
- Experienced housing maintenance service provider to local authorities
- Key contract wins include:
  - appointed by L&Q for its Major Works Investment Programme to deliver housing maintenance across its estate

Forward focus

- Strongly positioned in significant and growing markets to take advantage of market opportunities such as the UK Government's £600bn National Infrastructure Spending Programme and investment plans by UK asset owners

Property

- Non-speculative investment
- Funded principally through joint ventures
- Proven track record of delivery in mixed-use commercial and residential developments
- Targeting ROCE of 15%

Forward focus

- Market opportunities driven by the UK Government's agenda to address geographic imbalance, net zero carbon targets, hub programme and high street re-purposing

Objective 2

Maintain and enhance long-term customer relationships

Why this is vital

Delivers long-term capital and maintenance of assets for our customers including supporting them to achieve their environment and social commitments

- Maintain and enhance the Group's relationship with the UK Government, regulated and blue-chip client base
- Operating under long-term frameworks, which require strong client relationships and sector expertise

Our progress this year

- Order book increased by 3.1% to £10.1bn at 30 June 2023
- Positions on £137bn of frameworks for the UK Government and regulated entities
- Environment and social commitments and progress made in the year of:
  - Scope 1 & 2 carbon reduction of 18.7% from April 2022 to March 2023

Forward focus

- Continue to align the Group to our customers' needs
- Win new business with low-risk profiles and attractive margins
- Continue to deliver projects on time, to budget and in-line with customer requirements

98

Number of frameworks on which we have positions

250

Education projects delivered

Objective 3

Resilient and well-balanced portfolio

Why this is vital

- Balanced portfolio of projects and customers enables the Group to reduce risk and maximise opportunities
- Unlocks synergies from integrated businesses
- Enables a platform to attract and retain people talent
- Supports with supply chain relationships

Our progress this year

- Alongside deleveraging, cash generated from our Infrastructure Services and Construction segments has been invested in the Property segment to generate higher returns
- Infrastructure Services segment re-aligned to support evolving client needs
- Attracted and retained talent through our people policies including:
  - Flexible working
  - Maternity and paternity leave
  - Talent management programmes
- Relationships with supply chain developed and retained through:
  - Investing in supply chain partners through the prompt payment code adherence
  - Training using the Supply Chain Sustainability School

Forward focus

- Infrastructure Services and Construction – focus on winning market opportunities driven by UK Government spending and investment plans from UK asset owners
- Kier Property – focus on employing capital efficiently and delivering appropriate returns

+400

Live projects at any one time

£1.5bn

Pipeline GDV of development opportunities

Objective 4

Deliver disciplined growth, consistent profitability and cash generation

Why this is vital

– Disciplined growth, consistent profitability and generation of cash leads to a sustainable business

Our progress this year

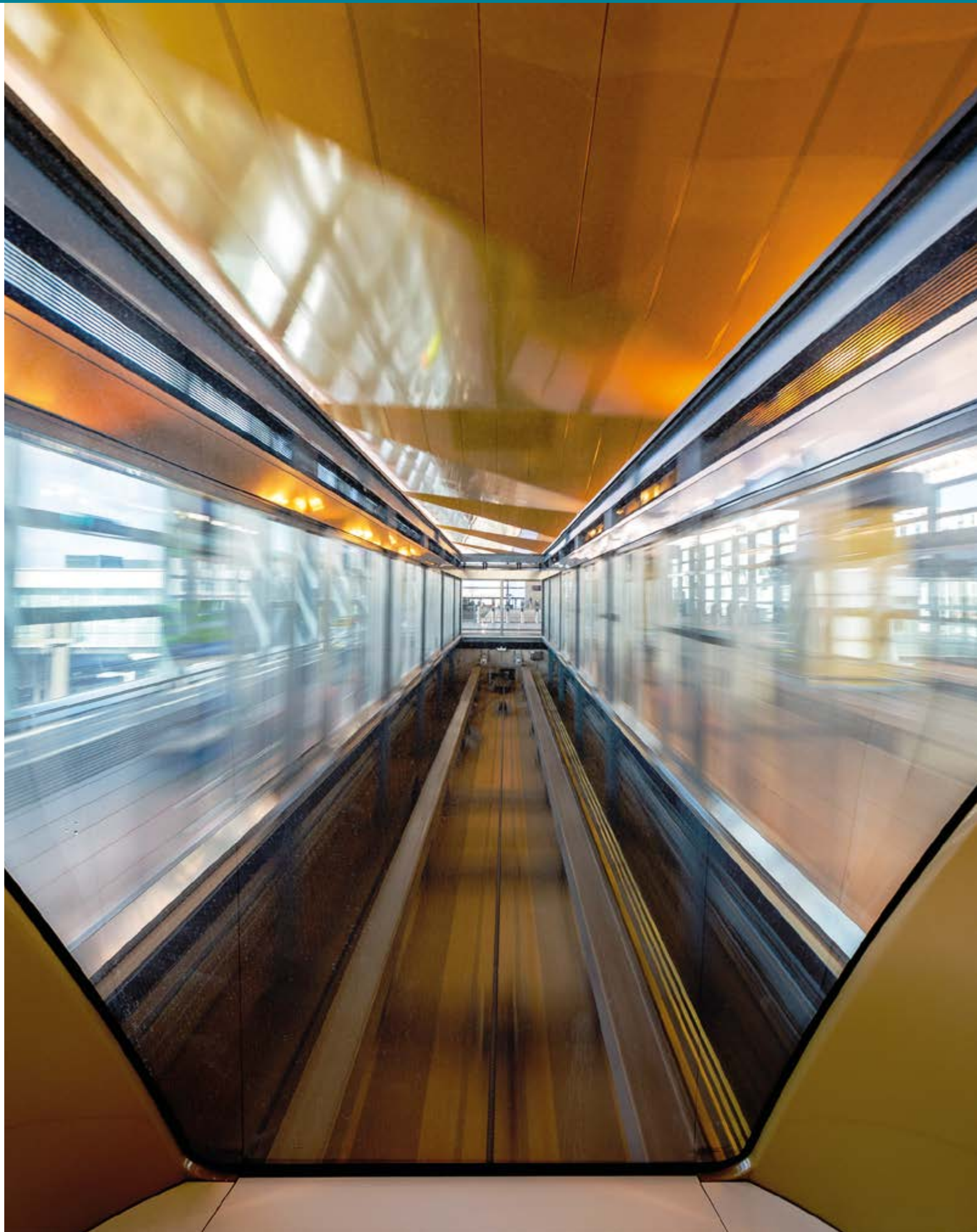
– Revenue growth of 4.6% to £3.4bn
– Adjusted Operating Profit growth of 9.1% to £131.5m
– Free Cash Flow of £132.3m (FY22: £54.6m)

Forward focus

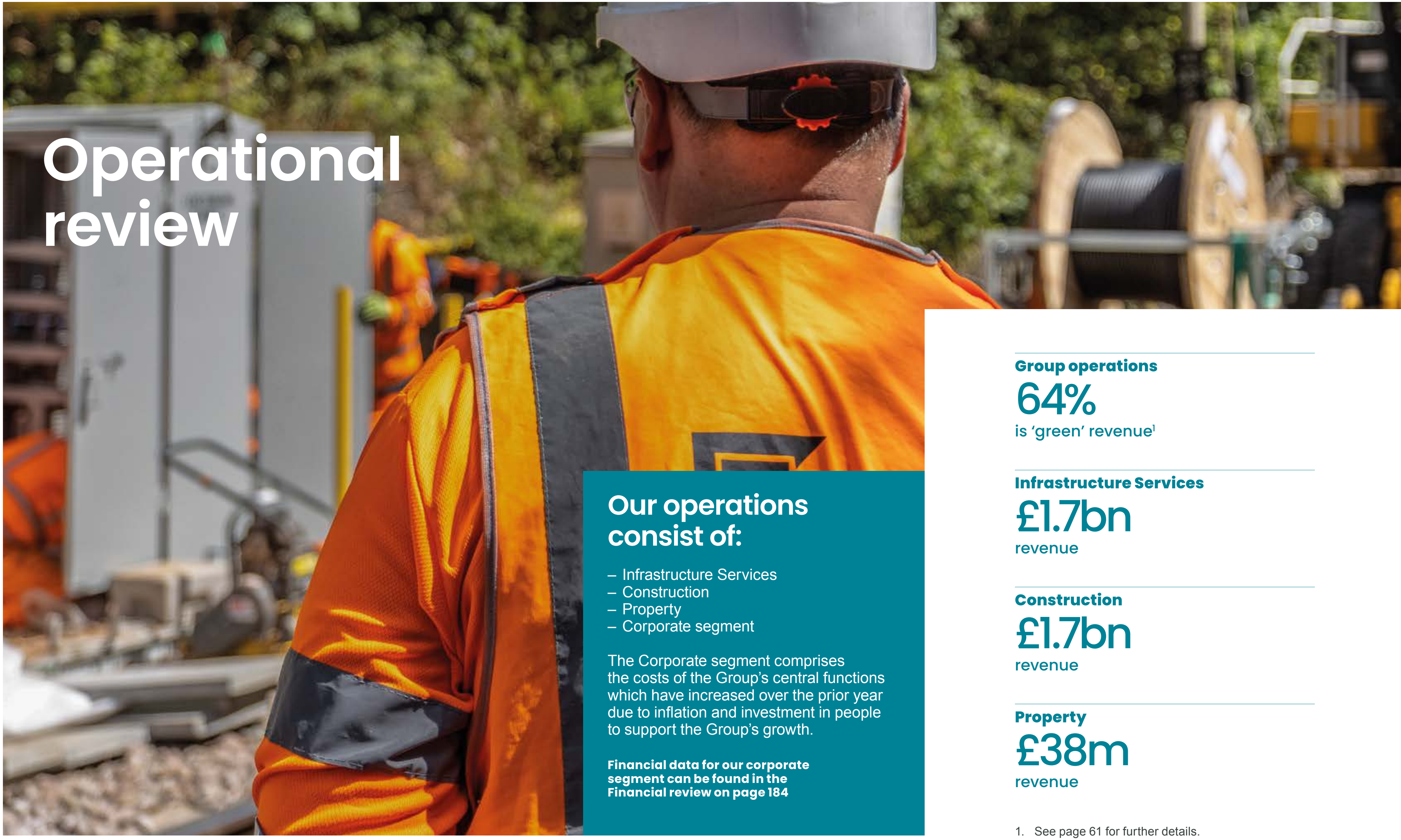
– Continue to grow the business in a disciplined way
– Monitor risk at every stage of the project

£132.3m
Free cash flow delivered

£64.1m
Net cash at 30 June 2023



Operational review



Our operations consist of:

- Infrastructure Services
- Construction
- Property
- Corporate segment

The Corporate segment comprises the costs of the Group's central functions which have increased over the prior year due to inflation and investment in people to support the Group's growth.

Financial data for our corporate segment can be found in the Financial review on page 184

Group operations

64%

is 'green' revenue[1]

Infrastructure Services

£1.7bn

revenue

Construction

£1.7bn

revenue

Property

£38m

revenue

1. See page 61 for further details.

Infrastructure Services case study

Driving sustainable rail infrastructure through HS2

Key facts

Project name
HS2 – Great Missenden to Southam

Project scope
80km of civil engineering works

Project status
Under construction

80km
civil engineering works

20m m^3+
tonnes of excavation

330
hectares of landscape planning being carried out

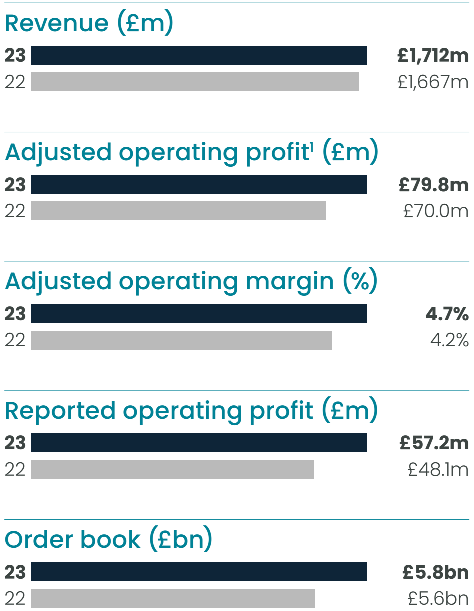
Read more online

Delivering high-speed travel

Kier is at the heart of Europe's largest infrastructure project – working as part of the EKFB (Effiage, Kier, Ferrovial Construction and BAM Nuttall) Joint Venture to deliver civil engineering works across an 80km section of the new high-speed ('HS2') rail project.

Tasked with one of the largest earthmoving projects for a generation, EKFB is carrying out these works from Great Missenden to Southam. The team has focused on delivering this sustainably to protect the long-term health of the surrounding environment, while delivering social value for the areas in which we are working. Over the course of the year nearly 2,000 of our frontline colleagues have been trained in the importance of meeting environmental standards, while we have delivered more than 50 community investment projects in communities close to the works. In addition, we have now started the construction of the second of two cut and cover green tunnels along the route, to reduce its impact on local communities and the environment.

Infrastructure Services



Key contract wins include:

- **Highways:** appointed by National Highways to carry out an essential maintenance programme on eight viaducts at Lune Gorge, spanning the M6 motorway
- **Utilities:** reappointed to the £55m per annum, three-year extension of the Network Service Alliance framework by South West Water and Bournemouth Water
- 76% of orders secured for FY24

Infrastructure Services segment comprised the Highways, Infrastructure and Utilities businesses.

Infrastructure Services revenue increased 2.7% against the prior year primarily due to the continued ramp up of capital works on HS2. Adjusted operating profit increased 14.0% to £79.8m due to higher HS2 volumes. Adjusting items include £1.5m for the HSE fine in relation to Highways.

The **Highways** business designs, builds and maintains roads for National Highways, Transport for London and a number of city, county and district councils. The business experienced a period of strong wins, including new contracts and contract extensions in maintenance projects, alongside the design and build of three National Highways major capital projects as the business has transitioned from one predominantly maintenance focused to both maintenance and capital works.

The **Infrastructure** Projects business delivers major and complex infrastructure and civil engineering projects, including HS2, Devonport, Oxford Railway Station, Mogden Sewage and Treatment Works and Hinkley Point C. Infrastructure experienced a ramp up in HS2 volumes during the period.

The **Utilities** business provides construction and maintenance services, under long-term contracts, to the water, energy, and telecoms sectors. The Utilities business had anticipated higher volumes in the telecoms sector with the UK Government's commitment to rolling out 5G connectivity to the UK. However, changes to market conditions has resulted in reduced activity, which in turn has had an adverse impact on the telecoms margin.

Re-alignment

From 1 July 2023 the announced re-alignment of the Infrastructure Services segment took effect and the three business units became two. This change ensures we are able to support our growth ambitions and align our capabilities, skills and expertise to the evolving needs of our clients.

- **Transportation:** this business division provides design, engineering, delivery and maintenance to support the movement of people, goods and equipment by land, sea and air. It includes our existing highways business and infrastructure projects relating to rail, ports and air.
- **Natural Resources, Nuclear & Networks:** this business division includes our existing utilities business and infrastructure projects related to water, energy, nuclear and networks.

The re-alignment positions Kier in an even stronger standing to pursue our strategic objectives within our chosen markets given the UK Government's commitment to £600bn of public sector spending and the significant investment plans by UK asset owners in the regulated sector.

1. Stated before adjusting items of £22.6m (FY22: £21.9m).

Infrastructure Services case study

Rejuvenating essential water infrastructure

Key facts

Project name
Thames Water Mogden Sewage Treatment Works

Project scope
Refurbishment of existing sewage treatment works

Project status
Under construction

Modernising existing infrastructure to improve resilience

We are working at Mogden Sewage Treatment Works to deliver a £66m project to refurbish and upgrade a site dating from the 1930s, which serves over two million people across south west London.

Updating this vital infrastructure will increase capacity and resilience, modernising process, mechanical and electrical equipment as well as helping sustainability through improving the quality of water discharged from the plant.

Our work, delivered through our sector expertise and use of digital tools, will support Thames Water's ambitions to reliably and sustainably meet water flow and quality standards, despite a continued growth in demand.

£66m
project value

2m+
people served by the treatment works

55
hectare site

Read more online

Construction case study

Defining next-gen construction

Key facts
Project name
HMP Millsike

Project scope
Lead design and build contractor

Project status
Under construction

2025
opening of HMP Millsike with capacity for nearly 1,500 prisoners

100
new local jobs being created within a 50 mile radius

10,000
precast concrete panels installed to date

Building the UK's first all-electric prison

We are leading the construction of HMP Millsike, in Full Sutton, a Category C Resettlement Prison focused on training and resettlement of offenders. This will be the UK's first prison to run solely on electricity, utilising heat pumps and solar panels to generate energy.

It is the first of four new prisons being delivered by the Ministry of Justice's Alliance 4 New Prisons programme. Kier is a pioneer in alliancing, which benefits both clients and contractors as they allow for different suppliers to work collaboratively on large national programmes, with shared objectives and success factors.

Millsike's design and construction is centred around digital innovation, using Building Information Modelling ('BIM') to optimise operations. We are also developing a digital twin for Millsike, where every deliverable is planned and tracked, ensuring component accuracy on every component part, from design and manufacture through to installation and throughout the asset's lifecycle.

Read more
online

Construction

Revenue (£m)

23	£1,653m
22	£1,441m

Adjusted operating profit[1] (£m)

23	£69.5m
22	£60.8m

Adjusted operating margin (%)

23	4.2%
22	4.2%

Reported operating profit (£m)

23	£46.4m
22	£21.8m

Order book (£bn)

23	£4.3bn
22	£4.2bn

1. Stated before adjusting items of £23.1m (FY22: £39.0m).

Key highlights

- Key contract wins include:
  - The £5.1bn Strategic Alliance Contract Framework in relation to the Defence Estate Optimisation ('DEO') Portfolio by the Ministry of Defence
  - Re-appointment to the £4.5bn Southern Construction Framework
  - Kier Places appointed by L&Q for its Major Works Investment Programme to deliver housing maintenance across its estate
- 95% of orders secured for FY24
- Significant growth in volumes in the second half of the year

The Construction segment comprises Regional Building, Strategic Projects, Kier Places (including Housing Maintenance, Facilities Management and Environmental Services), as well as our International business. Construction has national coverage delivering schools, hospitals, defence, custodial facilities and amenities centres for local authorities, councils and the private sector.

Revenue increased 14.7% due largely to the start of works on the new custodial facility, HMP Millsike in East Yorkshire, and growth in Kier Places as we benefit from increased facilities and housing management contracts.

Adjusted operating profit increased 14.3% to £69.5m driven by increased volume and the impact of the prior year's restructuring. Adjusting items include £12.6m relating to fire cladding costs, £5.2m of restructuring and related charges and a net £5.3m in relation to historical insurance-related claims. Adjusting items are significantly lower than last year, resulting in reported operating profit growing 113% to £46.4m.

As a regional contractor, we continue to be well placed to benefit from the UK Government's focus on spending to improve under-invested assets such as schools, hospitals and custodial services, where our Construction business has specialist expertise.

Our Kier Places business specialises in working in occupied properties including residential, offices and other facilities, delivering maintenance, repairs, fire safety and compliance services.

It is focused on central Government for our facilities management work and delivering housing maintenance services for local authorities. The net zero agenda alongside changes to building safety regulations continue to drive opportunities within the housing maintenance business. These have allowed the business to benefit from increased revenue volume and profitability including those from long-term maintenance contracts.

The UAE-based International business is focused on managing its cost base and projects in line with the continued weakness in its markets.

Property

Revenue (£m)

23 **£37.6m**
22 £144.3m

Adjusted operating profit[1] (£m)

23 **£12.8m**
22 £17.6m

Adjusted operating margin(%)

23 **34.0%**
22 12.2%

Reported operating profit (£m)

23 **£14.3m**
22 £16.7m

Capital employed new (£m)

23 **£150m**
22 £122m

ROCE new (%)

23 **9%**
22 14%

1. Stated before adjusting items of £(1.5)m (FY22: £0.9m).

Key highlights

- Commenced redevelopment work at 19 Cornwall Street Birmingham to transform it into an office operating at net zero carbon
- Entered a Joint Venture partnership with Countryside to deliver a housing development in South Wokingham
- Benefitted from planning consent for a wind farm to be developed on the former Greenburn Mine site

The Property business invests and develops primarily mixed-use commercial and residential schemes and sites across the UK. The business is a well-established urban regeneration and property developer and largely operates through joint ventures and does not make speculative investments.

Revenue of £37.6m and adjusted operating profit of £12.8m during the year was driven by lower transaction activity as a result of market conditions, in contrast to a higher level of transactions in the prior year. Property recognised a fair value gain of £13.2m within other income related to two transactions in its investment property unit during the year.

The Group has focused on the controlled expansion of the Property business through select investments and strategic joint ventures using a disciplined capital approach.

In order to make the reported capital employed meaningful, we plan on amending the definition so that it excludes fair value gains and third party debt. We believe this better reflects the Group's investment in the Property segment.

As at 30 June 2023, Kier's capital employed in the Property segment was £175m, including third party debt and fair value gains. Excluding these items, it would have been £150m. Due to the Group's increased operating cash flows, benefit of building out projects such as 19 Cornwall Street in Birmingham and market conditions we are reviewing the upper end of capital employed in our Property segment, which is currently at £170m.

Property case study

Adapting to changing demands

Key facts

Project name
Guildford station redevelopment under Solum JV

Project scope
Delivery of c.440 homes and regeneration to surrounding area

Project status
Construction of phase one completed, further construction in 2024 pending planning approval

c.440
high-quality new apartments

£200m
project value

c.100
apartments completed in phase one

Read more online

Buildings for tomorrow

We have now completed the first of five residential phases in our plans to transform Guildford station and the surrounding area.

'The Mint' is a build-to-rent development of c.100 apartments, built on railway land and providing improved access to a vital local transport hub. Delivered through Solum, our Joint Venture with Network Rail to attract investment into the rail network, the build-to-rent homes are the first of 438 we have planned on the site. Solum's £200m redevelopment will ultimately deliver a new Station Quarter for Guildford, including £25m of station upgrades, retail and office space, a multi-storey car park and significant public realm improvements. This regeneration provides a perfectly positioned development, giving local people high-quality homes which offers quick access both to London and to Guildford's town centre.

Addressing the challenges of today and tomorrow

Market
The UK Government has committed to infrastructure spending to boost growth across the country, which included over £600bn public sector investment over five years. In addition, UK regulated asset owners have announced their investment plans.

Climate change

Why this is important

Infrastructure Services and Construction
- Energy supply shortage, water conservation and rising demand driving investment
- UK Government's commitment to net zero carbon

Property
- Legislation change – driving obsolescence in real estate market
- ESG – net zero carbon, wellbeing and attracting and retaining employees, a key driver of demand
- Regional relocation – businesses relocating to regional cities due to growth of millennial population and improved infrastructure
- Energy efficiency – crucial factor in home moves

Population growth

Why this is important

Infrastructure Services and Construction
- Population expansion with people living longer, net immigration and mini baby boom
- Pressure on health, social and housing driving change

Property
- Population growth – 65+ age group is expected to see highest rate of population growth over the next two decades
- Households – increase in single person households
- Ownership – increased demand for build to rent
- Supply – shortage of housing and restrictive planning policies

Congested transport

Why this is important
Infrastructure Services and Construction

- Congested roads, rails and airports given population growth and increased travel

Addressing geographic imbalance

Why this is important
Infrastructure Services and Construction

- Increased spending in previously deprived areas to narrow the UK's regional inequality

Changing consumer trends

Why this is important
Property

- Demand – significant demand for high-quality large-scale warehouses
- Logistic vacancy rate – rate currently less than 3%
- Global supply chains – stockpiling and onshoring
- Technology: growth in AI, robotics and automation driving demand

Economic growth

Why this is important
Infrastructure Services and Construction

- UK economic growth expected to slow given rising cost of living
- Construction industry historically used to stimulate economy

Kier's position
Kier's scale, leading delivery capability at both national and regional levels, operational delivery, processes and expertise should enable Kier to take maximum advantage of the significant and committed UK Government and regulated industry spend over the medium and long term.

More detail on page 38

Construction and Property addressable market[1]

£35bn

Infrastructure Services addressable market[1]

£25bn

Marketplace highlights

Infrastructure investment

Transportation

Market opportunity:

- National Highways: Road Investment Strategy 2: £27bn investment in England's strategic roads from 2020–2025
  - 60% increase on Road Investment Strategy 1 from 2015–2020
- Local Authorities: Requirement for investment in local road networks increasing
- Local Authorities: Major planned projects afford significant opportunities across wider Group
- Project Speed and the new Acceleration Unit launched by Department for Transport ('DfT') in August 2020
- Sir Peter Hendy's Union Connectivity Review published in March 2021
- Managing the transport sector's response to changes resulting from climate change.
- £45bn committed over 5 years for CP7

Kier's market positioning:

- Market-leading position
- Integrator with unique in-house road design, construction and maintenance capabilities and long track record of successful delivery
- Established relationships with strategic clients on long-term frameworks of typically 5–10 years
- Asset and investment management expertise. UK highways assets valued at £500bn driving ongoing demand for major projects and maintenance
- Project delivery expertise

£27bn

investment in England's strategic roads from 2020–2025

£45bn

committed over 5 years for CP7

Natural Resources, Nuclear & Networks

Market opportunity:

- Water: England & Wales (Asset Water: England & Wales (Asset Management Plan 7 ('AMP7'): £51bn by 2025; (Asset Management Plan 8 ('AMP 8') 2025–2030 to be determined, but Price Review 2024 expected determine a greater investment than AMP7
- Water: Northern Ireland Price Control 21 ('NI PC21') – £4bn from 2021–2027
- Water – Canal and Rivers Trust framework
- Energy Distribution – GB Ofgem Pricing Framework ED1 ('RIIO') ED1 – £22.2bn by 2028
- Northern Ireland Regulatory Price Control for Electricity 6 ('NI RP6') – £657m by 2024
- Gas Distribution Price Control 2023 ('GD23') – £186m by 2028
- Gas Distribution – GIIO-GD2 £30bn by 2026
- Nuclear Power – £20bn for new nuclear build
- Nuclear Power – White paper commitment to a new power station c.£1.7bn
- Nuclear Power – Modular reactor commitment to support energy policy
- Electric vehicle ('EV') – plans to roll out charging points

Kier's market positioning:

- Key infrastructure provider of repairs, maintenance and capital projects to water and energy sectors
- Long-standing customers operating in regulated industries
- Consistently delivering services to customers and executing on direct-delivery model
- Project delivery expertise

£50bn
water commitment

£20bn
for new nuclear build

Marketplace highlights

Construction

Market opportunity:

Education
- 500 Department of Education ('DfE') school replacement project over 10 years
- +200 further free school projects approved for DfE capital funding
- Commitment to additional SEND funding and further investment into Further Education

Healthcare
- Up to £18.5bn indicative capital funding to 2031 under the New Hospital Programme
- £3.7bn New Hospitals Programme to be delivered by 2024/2025

Custodial
- 20,000 new prison places required
- £4bn committed over four years
- c.£250 million per annum of estate maintenance

Defence
- £4.3bn Defence Estate Optimisation Programme
- £1.5bn Facilities Management opportunities across the MoD Estate
- £650m future capital investment across US Visiting Forces estate in UK

Commercial
- Increase in office and residential building demand in major cities
- Regional focus

Kier Places
- Facilities management – supporting central UK Government with estate management
- Housing maintenance
  - Building safety regulations – fire protection work
  - UK Government net zero carbon agenda – significant retrofitting required

Kier's market positioning:
- A leading UK contractor with attractive market positions and regional footprint to take advantage of UK Government committed spend
- Track record of successful delivery with design, operational and support capability
- Long-standing collaborative relationships across chosen sectors and a 'strategic supplier' to the UK Government
- Contracting through frameworks providing competitive advantage, consistency and visibility over revenue streams
- Experienced facilities management and housing maintenance services provider

500
Schools Replacement Project over 10 years

£18.5bn
New Hospitals Programme to be delivered by 2031

Property

Market opportunity:

Urban regeneration:

- High street repurposing
- Supply shortage – one third of Local Authorities currently do not have a five-year housing supply
  - Growth in urban population
  - Post-graduation retention rates in regional cities

Addressing geographical inequality:

- ‘Levelling up’ agenda – increased spending in previously deprived areas
- Relocation of parts of the UK civil service
- Devolution and city mayors driving regional growth

Hub Programme

- Capital spending commitment of £600bn committed over five years
- This includes development and regeneration of local sites

Kier’s market positioning:

- Well-established relationships with land-owners and local authorities providing access to a large land bank
- Proven track record of delivery in the urban regeneration and property development market. Experienced team with in-house capability
- Commercial and operational synergies with Kier’s other businesses
- Potential to deliver consistent ROCE of 15%

£600bn
Capital spending commitment over 5 years

15%
Potential to deliver consistent ROCE

Addressable market

Kier's addressable market

Construction – £35bn

01 **26%** Commercial
02 **8%** Industrial
03 **13%** Public non housing
04 **2%** Repair and maintenance private
05 **10%** Repair and maintenance public

Infrastructure Services – £25bn

06 **12%** Infrastructure other new
07 **7%** Infrastructure other repairs, maintenance and improvements
08 **15%** Roads new
09 **7%** Roads repairs, maintenance and improvements

1. CPA Construction Industry Forecasts 2023–2025 Spring 2023 Edition.

Addressable market

The overall UK construction market is estimated to be worth £170bn in 2023.[1]

The Group's addressable market is estimated at £60bn. This comprises c.£25bn for Infrastructure Services and c.£35bn for Construction. The Group serves these markets through its three segments: Infrastructure Services, Construction and Property.

Infrastructure Services

Infrastructure Services is focused on two main markets, Transportation and Natural Resources, Nuclear & Networks. The Transportation business designs, builds and maintains roads for National Highways and a number of county councils. It also covers rail, airports and ports. Natural Resources, Nuclear & Networks delivers long-term contracts providing repairs, maintains and capital projects to the water, energy, and telecommunications sectors.

Construction

Construction is focused on delivering regional buildings across the UK for the public and private sector. The key sectors served include education, healthcare, custodial and defence. This segment also covers the Kier Places business. Kier Places provides facilities management and housing maintenance services to the public sector.

Property

Our Property segment delivers mixed-use commercial and residential developments by purchasing land or existing properties, developing them and then subsequently selling them on, allowing the capital to be returned or recycled. It typically operates through public and private sector joint ventures.

The importance of frameworks

Frameworks are our main route to market as nearly all major public sector work is awarded through frameworks. Kier remains focused on maintaining and growing our positions on both local and national frameworks.

We have places on agreements with an advertised value of up to £137bn (Official Journal of the European Union, 'OJEU' values) across all of our core markets covering both national and regional geographies and market sectors.

In our Infrastructure Services division we have places on 5 national and 40 regional frameworks with a total advertised OJEU value of £14bn.

In Construction we have been awarded places on 20 national and 33 regional frameworks worth £23bn.

£60bn
Total addressable market for Infrastructure, Construction and Property

41%
Addressable market for Infrastructure Services

59%
Addressable market for Construction and Property

Our key performance indicators

KPI key

No change
Increase
Decrease

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

R **Link to remuneration** Read more on page 123

Financial

Total Group revenue including joint ventures[1] (£bn)

1 2 4

£3.4bn

23	**£3.4bn**
22	£3.3bn

The growth in revenue is driven by both the Infrastructure Services and Construction segments, offset by lower revenue in Property.

In particular the ramp up of HS2 and HMP Millsike, Full Sutton, as well as an improved performance of its Kier Places business have all provided revenue growth.

Adjusted operating profit from operations[1,2] (£m)

2 3 4 R

£131.5m

23	**£131.5m**
22	£120.5m

Adjusted operating profit has increased primarily due to an improvement in the volume/price/mix changes as well as the impact of management actions undertaken. These are partly offset by cost inflation experienced across the business.

Adjusted earnings per share[1,3] (p)

2 3 4 R

19.2p

23	**19.2p**
22	16.8p

Adjusted earnings per share has increased due to the improved profit generation of the Group.

Order book (£bn)

1 2 3

£10.1bn

23	**£10.1bn**
22	£9.8bn

The order book remains strong and is underpinned by high-quality and profitable work.

Cash – free cash flow[4] (£m)

4 R

£132.3m

23	**£132.3m**
22	£54.6m

Free cash flow has increased compared to prior year due to the improved underlying performance in the business.

Net cash – 30 June[4] (£m)

4 R

£64.1m

23	**£64.1m**
22	£2.9m

Net cash has increased significantly due to a strong working capital performance. This has been achieved despite the repayment of a number of items including the remaining balance of the supply chain finance programme ('KEPs').

Net debt – average[4] (£m)

4

£(232.1)m

23	**£(232.1)m**
22	£(216.1)m

Average net debt has increased compared to prior year and is better than expected, with positive operating cash flow used to pay off the remaining KEPs balance, the final HMRC COVID-19 debt, adjusting items and pension deficit obligations.

1. See consolidated income statement on page 166.
2. See note 5 to the consolidated financial statements.
3. See note 12 to the consolidated financial statements.
4. See note 22 to the consolidated financial statements.

KPI key

- No change
- Increase
- Decrease

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

R **Link to remuneration** Read more on page 123

Non-financial

Safety – Group Accident Incident Rate ('AIR')

1 2 R Decrease

88

23		**88**
22		115

Achieve year-on-year improvement in the Group AIR. Remain below the Health and Safety Executive benchmark for the UK

The Group's 12-monthly rolling Accident Incident Rate ('AIR') of 88 represents a decrease of 23% compared to 115 in FY22. The AIR rate is calculated by headcount and therefore volume adjusted. It equates to 22 RIDDOR reportable incidents in FY23 compared to 28 in FY22. This is a strong performance and reinforces the positive effect our approach to risk and hazard management is having on our safety management.

The Group's 12-month rolling All Accident Incident Rate ('AAIR') of 320 has remained static with a 1% increase.

Employee engagement

1 2 R Increase

65%

23		**65%**
22		58%

Achieve continuous improvement scores in employee engagement surveys

We continue to engage with our people through the Your Voice surveys. This enables us to understand what areas of focus are required to improve our people's engagement and workplace wellbeing.

The focus this year has been on inclusion within the workplace and the experiences of our degree students, apprentices, industrial placement students and graduates.

Customer experience

1 2 Increase

92%

23		**92%**
22		91%

Deliver a high level of customer satisfaction which is key to supporting sustainable long-term growth across our markets and client base

We remain stable with our scores and during FY23 as part of our Performance Excellence culture we have worked to provide the tools, training and information we need to continue fostering a customer-centric culture.

Scope 1 & 2 carbon intensity

1 2 R Decrease

9.7

23		**9.7**
22		*12.0

We have achieved a c.20% decrease in our carbon intensity for scope 1 & 2 compared with FY22 and a c.59% decrease against our FY19 baseline

We continue to build on these successful reductions in line with our pathway to net zero.

* In FY22 we adjusted our reporting year definition from July-June to April-March, adjusting the intensity from 11.9.

Payment performance

1 2 Increase

34 days

23		**34**
22		33

Maintain a good relationship with supply chain partners

In line with the Prompt Payment Code, our latest Duty to Report on Payment Practices and Reporting submission covers the period from 1 January 2023 to 30 June 2023, showing the Group's aggregate average payment days was maintained (H1: 34 days).

Baseline scope 3 carbon intensity

1 2 Decrease

276.5

23		**276.5**
22		*299.9

Since introducing our scope 3 carbon baseline in FY22, we have reduced our scope 3 carbon intensity by 8%

We continue to focus on the enhancement of our scope 3 data and delivery of our pathway to net zero.

* In FY23 we increased the scope of our scope 3 carbon reporting, restating our FY22 intensity.

Building for a Sustainable World

"To be a responsible business, we must address both the impact of climate change and leave a lasting legacy in the communities we operate in."

ANDREW DAVIES
Chief Executive

We believe that to be a responsible business and to play a leading role in our industry, we must address both the impact of climate change and leave a lasting legacy in the communities we operate in. Accordingly, Kier's purpose is to sustainably deliver infrastructure which is vital to the UK. As a strategic supplier to the UK Government, ESG is fundamental to our ability to win work and secure positions on long-term frameworks. UK Government contracts above £5m require net zero carbon and social value commitments.

Our ESG report outlines our commitments and progress against them.

Sustainability framework

During the year, we carried out a double materiality assessment which looked at how Kier is impacted by sustainability and how Kier's activities impact the environment and society. This has guided our evolution to our new 'Building for a Sustainable' framework.

For each framework pillar we are outlining our short, medium and long-term targets together with our associated milestone plans to ensure we continue to align to our stakeholders' priorities, achieve interim targets and take strategic actions.

The framework continues to follow the guiding principles of the United Nation's Sustainable Development Goals. Further details can be found on pages 44 and 45.

Environmental

This year our Task Force of Climate Related Financial Disclosures ('TCFD') assessment and disclosure has been enhanced through additional scenario analysis and detailed operational risk and opportunity assessments. You can find this from page 62.

Carbon emissions and Milestone plan

In 2023, c.3% of our carbon emissions came directly from our operations (scope 1 & 2) such as the fuel in our fleet and energy consumed in the offices and depots that we operate from. Scope 3, predominantly the emissions from the materials we buy and the supply chain partners we rely on to deliver our projects, makes up the remaining c.97%.

We have prepared a milestone plan which indicates a target to reduce scope 1 & 2 from business operations by 66% by 2030 and to become net zero carbon for scope 1 & 2 by 2039. We plan to transition our fleet away from fossil fuels through the use of electric vehicles and plant as well as use of alternative fuels.

In addition, we are reducing the carbon emissions of our projects and premises through the implementation of our agile working policy and improvement in site efficiency.

We achieved a c.19% year-over-year reduction in carbon emissions for scope 1 & 2, remaining below the required trajectory to achieve our net zero targets.

For value chain emissions (scope 3), we are targeting net zero carbon by 2045. We are working collaboratively with our supply chain partners to target our most carbon intensive materials and activities such as steel, concrete and diesel consumption. We have enhanced our sustainable design capability to reduce whole life carbon, including embodied and operational emissions.

This is our second year of reporting on our Scope 3 emissions.

Waste

Our construction waste landfill diversion rate is 91.5% (FY22: 90%). As a Tier 1 contractor, we see the largest opportunity for waste reduction with our supply chain and we continue to extensively work with them on this. We achieved a 33% year-over-year reduction in the volume of non-hazardous waste in FY23.

Water

We committed to reducing our water usage over the long term. We achieved a c.8% year-over-year reduction in cost (as a percentage of operating cost) in FY23. We will continue to monitor and reduce our water usage going forward. Following the double materiality assessment, our metrics have been updated with water no longer forming part of the framework due to its limited materiality within Kier.

Social

People

Kier is a people-based business and our performance depends on our ability to attract and retain a dedicated workforce. During the year we had c.9% of our employees on formal learning courses including apprenticeships as well as graduate and leadership programmes.

We had 646 apprentices employed at Kier in FY23 which equates to c.6% of our workforce. We are also a member of the 5% Club which brings together employers that are committed to developing and training talent.

Cost of living crisis

People are at the heart of Kier and we ensure we pay them a competitive wage as well as offering them support through the cost of living crisis. Since April 2021, Kier has been an accredited Real Living Wage employer. As a result of the cost of living crisis, we accelerated our increase in wages from April to January 2023. We also extended the Real Living Wage to our contingent workers.

Kier provided other areas of welfare and support to our employees including inflation support payments, enhanced sick pay, financial support and mortgage advice to those most affected by the cost of living crisis. We continue to monitor the situation and will consider taking further steps as appropriate.

Social value

We have also made commitments on social value. Our target was to create £5bn in social value by 2030. By capturing our social and economic value spend across our business over the last 3 years, we were able to achieve our £5bn target. Going forward, we will be reporting on 'added social value'. This will include a focus on employment opportunities, apprenticeship hours and spend with Small and Medium Enterprises ('SMEs').

Governance

Governance is a core component of the Group's approach to operations. Governance is delivered within Kier's Operating Framework. Within the Operating Framework is Kier's Code of Conduct which sets the corporate compliance agenda.

We ensure that risk management and governance is embedded across the business.

We believe our approach to sustainability aims to safeguard our business and build a resilient environment, community and profits over the long term.

Andrew Davies
Chief Executive

2023 highlights

Environmental highlights:

- **Scope 1 & 2** – reduction in carbon emissions of 67% against our FY19 baseline. This represents a 18.7% reduction against our FY22 performance, from 38,967 tCO_2e to 31,668 tCO_2e
- **Scope 3** – our Scope 3 emissions were 905,839 tCO_2e. This represents a 6.7% reduction against our FY22 performance, from 971,314 tCO_2e

Social highlights:

- **Safety** – 12-month AIR 88 decreased c.23% compared with FY22. This is a strong performance following our focus on proactive risk management. AAIR 320 has remained static with a 1% increase compared to FY22
- **Training and development** – c.9% of employees on formal learning programmes including apprenticeships, graduate and leadership programmes
- **Apprenticeships** – 646 apprentices participating in apprenticeship programmes in FY23, c.6% of our workforce
- **SMEs** – c.69% of spending SMEs in FY23.

Our sustainability framework

Over the last three years the world has changed significantly with climate emergencies becoming more obvious in our day-to-day lives and the cost of living crisis.

To make sure we address the issues that are most important to our stakeholders and focus on where we can have the most impact we carried out a double materiality assessment (in accordance with EFRAG guidelines) and evolved our Building for a Sustainable World framework. As a responsible business, Kier understands that we must adapt our ways of working to be successful in this changing world.

As part of the evolution of the Building for a Sustainable World framework, we have introduced three pillars: Our People, Our Places and Our Planet. These areas have been aligned to the UN Sustainable Development Goals, targets and indicators to understand how we can maximise our contribution and market opportunities.

For each pillar we are outlining our short, medium and long-term targets. Each pillar also has a number of clearly defined non-financial measures, chosen to help demonstrate continual improvement and aligned to our key stakeholders' own priorities. Supporting the pillars are strategies and approaches to health, safety and wellbeing, diversity and inclusion and sustainable procurement.

Underpinning our three pillars we have embedded a governance framework, and policies to ensure we achieve our sustainability outcomes.

The diagram adjacent introduces our evolved Building for a Sustainable World framework and how it will help deliver our purpose, to sustainably deliver infrastructure which is vital to the UK.

Our performance in FY23 from pages 46–61, precedes the evolution of the Building for a Sustainable World framework. Updates are therefore aligned to the final year of the previous phase and pillars of the framework.

Building for a Sustainable World

OUR PURPOSE

To sustainably deliver infrastructure which is vital to the UK

STRATEGIC PILLARS

Our People	Our Places	Our Planet
OBJECTIVES		
Building a workforce and supply chain for the future	Making a positive difference in our local communities	Improving the environment now and for future generations
TOPICS		
Prioritising all our people Ethical labour	Social impact Enabling social mobility	Climate action Valuing nature Resource efficiency
MEASURES		
% of apprentices and people in training and development programmes Develop ethical labour plan	Spend with SMEs and social enterprises Develop a social mobility plan inclusive of benchmarking	Carbon emissions (scope 1-3) / £m revenue Develop nature baseline Tonnes waste / £m revenue

% OF GROUP REVENUE AS ADDED SOCIAL VALUE

Priority Topics and Materiality Analysis

Materiality key
- Low
- Medium
- High

Our People
Building a workforce and supply chain for the future

Prioritising all our people
We aim to build a workforce that has the skills and capabilities for now and in the future

Financial Materiality

Impact Materiality

Ethical labour
We aim to ensure fair and equal treatment for our entire workforce and value chain

Financial Materiality

Impact Materiality

Main reference SDG

Our Places
Making a positive difference in our communities

Social impact
We aim to leave a positive legacy in the communities we work in

Financial Materiality

Impact Materiality

Enabling social mobility
We aim to tackle inequality by giving individuals and communities tools and opportunities

Financial Materiality

Impact Materiality

Main reference SDG

Our Planet
Improving the environment now and for future generations

Climate action
We aim to take carbon action by:
- reducing carbon emissions from our operations
- working with our clients to build infrastructure which is resilient against the impact of flooding, droughts, and higher temperatures

Financial Materiality

Impact Materiality

Valuing nature
We aim to protect and enhance biodiversity by:
- respecting our neighbours and natural surroundings
- managing nature risks in our supply chain
- working with our customers to construct green infrastructure that encourages people and nature to thrive

Financial Materiality

Impact Materiality

Resource efficiency
We aim to accelerate our transition to resource-efficient construction by:
- working with our supply chain to use resources in a sustainable way throughout a project's lifecycle
- designing for a low carbon/ resource efficient and water efficient future

Financial Materiality

Impact Materiality

Main reference SDG

Pollution prevention

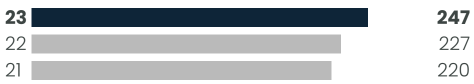
Strategic objective
Protecting the environments that we work within is important to Kier. We continue to train, support and audit our projects to minimise the risk of pollution.

Why it is important
We work across a wide variety of rural and urban habitats in the UK, which can be vulnerable to pollution. To prevent damage to these environments or negative impact on the communities in which we work, it is essential that we minimise pollution.

Target
Prevent pollution from all operations within our control and measure all environmental incidents across the Group.

Progress in FY23
During FY23 our AEIR increased slightly due to improved reporting and management systems.

All Environment Incident Rate ('AEIR')



Note: AEIR calculated as all environmental incidents divided by headcount and then multiplied by 100,000. AEIR excludes our HS2 Joint Venture.

Contemporary Environmental Management Systems
During FY23, we have undertaken a full review of our ISO14001:2015 certified environmental management systems ('EMS').

Our EMS underpins the work we do protecting and enhancing the environment including pollution prevention.

Pollution prevention guidance and training
Our climate is changing, and we are already seeing increased risks during construction both from extreme weather and seasonal climate change.

To adapt to our changing climate and minimise environmental risks and potential delays to works during FY23 we have launched:

– enhanced management systems for surface water and dust management
– a programme of monthly operational training and environment briefings on our standards

Tackling emissions

Non-Road Mobile Machinery ('NRMM') consists of any mobile machinery, transportable industrial equipment or vehicle fitted with an internal combustion engine not intended for passenger or goods transport by road. The Greater London Authority requires that in London NRMM has to meet tight emissions standards for particulates and nitrous oxides.

To support this transition to lower emission equipment and assess the availability of equipment and feasibility, we have begun to specify NRMM Low Emission Zone compliant equipment on sites in Clean Air Zones. A successful example is in Sheffield, where we successfully specified a low emission crane to complete works within the Clean Air Zone.

Net zero carbon

Strategic objective
We are targeting achieving net zero carbon across our business operations and value chain by 2045.

Why it is important
As a responsible business, it is our duty to reduce and avoid the impact we have on the climate. With the diverse range of public sector and blue-chip customers we work with and sectors that we work in, we have a unique opportunity to change the landscape of the UK-built environment for the better.

It therefore remains a strategic objective for us to deliver on our net zero commitments and support our clients in doing the same.

Targets
Net zero business operations carbon (scope 1 & 2) by 2039 and net zero carbon across our business operations and value chain by 2045 (scope 3).

Commitments
– 100% electric vehicles or alternative zero-carbon fuels for our own fleet by 2030
– 100% renewable electricity by 2030
– Net zero for on-site plant and equipment by 2040.

Milestone plan
As part of evolving the Building for a Sustainable World framework we are updating our net zero carbon milestone plan. The following details the high-level short and medium-term actions in our milestone plan relating to Climate Action with the long-term goals being:
– Net zero scope 1 & 2 by 2039. A 90% reduction, with no more than 10% offsetting
– Net zero scope 3 in 2045. A 90% reduction with no more than 10% offsetting

Supporting actions
– Launch new environmental data platform (2024)
– Verification of Science Based Targets (2024)
– Obtain ISO 14064 certification (2024)
– Expand our CDP disclosure to include climate, forests, and water (2025)

Scope 1
– Rolling out ultra-low emission and electric vehicles across our company car and commercial vehicle fleets (100% electric/ PHEV company cars & LCVs by 2030)
– Embedding energy efficiency and energy management technologies across our construction sites and facilities.

Scope 2
– Exploring renewable electricity self-generation opportunities to contribute towards achieving 100% renewable electricity 2030.

Progress up to FY23

FY19

Scope 1 & 2 carbon baseline set

Following several years of carbon reduction, we re-set our carbon baseline to FY19 for the new strategy period.

FY20

Building for a Sustainable World launched

We launched our sustainability framework, including the announcement of our net zero targets.

FY21

Science Based Targets Commitment

We made a commitment to set net zero and near-term targets with a business ambition for 1.5°C in line with the latest science.

EV100 Commitment

We became a signatory to EV100, committing to a 100% EV company car fleet by 2030.

FY22

Scope 3 carbon baseline set

We calculated a baseline following the launch of new reporting processes.

Scenario Analysis and TCFD Disclosure

We conducted scenario analysis and compiled our TCFD disclosure to support climate-related risk and opportunity management.

FY23

Science Based Targets Submission

We submitted our targets and carbon data for SBTi, awaiting verification in FY24.

Pioneering Cornwall Street

Targeting BREEAM 'Excellent', this commercial building takes a whole life carbon approach. The building has been designed to align with the UK Green Building Council 'Energy performance targets for buildings targeting net zero carbon operational energy' with the potential to meet a 2030–2035 interim target for landlord operational energy (~40% lower than current day 2020-2025 energy targets). The project is an all-electric, highly energy efficient design, achieving an EPC A rating with the provision of 400m² of solar photovoltaic panels, air source heat pumps, and sourcing of renewable energy through a power purchase agreement to demonstrate additionality.

Embodied carbon has also been carefully considered during the design. The design retains existing structures to reduce unnecessary material use and avoidable waste, resulting in the total upfront embodied carbon impact being low and designed to achieve a LETI Rating Band A+.

Scope 3

- Collaborating with our supply chain to enhance data quality
- Expanding our in-house carbon consultancy to deliver enhanced lifecycle carbon assessments in order to design out carbon.

Our milestone plan has been designed to deliver our science based targets which are currently are being validated.

Progress in FY23

Scope 1 & 2

This financial year we have implemented various initiatives to reduce our direct emissions, collectively contributing towards a reduction of our scope 1 & 2 carbon emissions by c.19%.

Petrol and diesel usage accounts for the majority of our scope 1 & 2 carbon footprint and is a large contributor to our supply chains operational emissions, making this a key focus.

Leased cars

Since launching our green car scheme and increasing electric options in our company car list, we have seen our employee uptake of electric vehicles and hybrid electric vehicles increase. However, our transition was temporarily impacted by vehicle availability and extended lead times following the pandemic and semiconductor shortages.

Scope 3

Purchased goods and services is the largest contributor to our carbon footprint at both a Group-wide and business division level, highlighting the necessity to work in collaboration with our supply chain towards carbon targets.

Working with our clients, designers, and supply chain, we have successfully trialled materials with reduced embodied carbon and embedded circular economy principles into design without compromising on quality.

In our Highways business these include foamix and biogenic polymodified binder for our highways clients (see page 51).

For our Construction and Property businesses, lifecycle emissions from buildings we construct is also a significant contributor to our total carbon footprint, highlighting the importance of building carbon mitigation within the design.

During the year, our Construction business has completed numerous buildings achieving high energy efficiency, including 12 BREEAM rated buildings within education, leisure and commercial sectors, and a net zero operational carbon care centre, achieving EPC A+.

GHG emissions data

Scope 1 & 2

Total emissions from our business operations carbon for the year was 31,668 tCO_2e which equates to 9.7 tonnes per £m revenue.

This represents a c.20% decrease in carbon intensity compared with 2022, and a c.59% reduction against the 2019 baseline.

Reporting follows the requirements of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Our carbon footprint was quantified by reviewing all operational data available in line with the Greenhouse Gases Protocol standard. We have applied the most relevant emission factors sourced from the UK Government's Greenhouse Gas ('GHG') Conversion Factors for Company Reporting and other equivalent data sources for our emissions outside of the United Kingdom.

Market-based emissions have been calculated since 2021 using more detailed tariff level data (where this was available), to show the benefit on the carbon footprint that we have had by purchasing primarily green energy tariffs. In previous years the market-based figure was based on supplier averages as published via fuel mix disclosures on their websites.

Scope 3

We have extended our reporting boundaries in 2023 by adding an additional three GHG Protocol categories: Use of sold products, upstream transportation and distribution and Investments.

The following improvements have been made:
- calculation of emissions for upstream transportation and distribution and use of sold products*
- improved our screening methodology for purchased goods and services
- increased our scope to include joint ventures emissions in the Investments category

As a result of these improvements, we have restated our 2022 scope 3 baseline for comparability.

Within scope 3, we currently exclude end-of-life treatment of sold products, and upstream leased assets due to data collection complexities. These emission sources are collectively estimated to make up c.4% of our scope 3.

The following scope 3 categories are not included in our reported footprint as they are not relevant or have limited materiality to Kier's operations: downstream transportation and distribution, processing of sold products, and franchises.

All other scope 3 categories defined in the GHG Protocol Corporate Value Chain Standard have been included.

We continue to mature and develop our reporting practices to provide increased accuracy, particularly for our scope 3 emissions. This involves transitioning from a screening methodology to an inventory methodology where possible. Over time, we expect to re-baseline in line with our carbon information management standard, seek third-party data verification and add further categories into our scope 3 reporting.

* We consider sold products relevant where we were appointed at RIBA Stage 2 or earlier as we have reasonable control or influence over the design and consequently the possible carbon reductions.

Reducing carbon and improving efficiency

The 1.5 mile (2.5km) Chipping Warden green tunnel for HS2 in Northamptonshire is being built on the surface using an off-site manufacturing approach to speed up construction and improve efficiency. This approach will see more than 5,000 concrete segments assembled on site. The completed tunnel will then be covered by earth, with trees, shrubs and hedgerows planted to fit in with the surrounding countryside. This lighter-weight modular approach is expected to more than halve the amount of carbon embedded in the structure. It also requires fewer people and equipment on site, improving safety and reducing disruption for residents.

GHG emissions data (scope 1, 2 & 3)

	FY Baseline Year ending 31 March 2019		Year ended 31 March 2021		Year ended 31 March 2022		Year ending 31 March 2023	
	UK	Global	UK	Global	UK	Global	UK	Global
Scope 1 (tonnes CO_2e)								
Combustion of fuel and operation of facilities	77,468	89,490	45,075	56,117	36,113	38,643	30,941	31,340
Scope 2 (tonnes CO_2e)								
Electricity purchased								
Location–based	7,132	7,170	5,274	5,304	4,543	4,569	3,585	3,600
Market–based	5,934	5,970	346	387	298	324	313	328
Total Scope 1 & 2 (tonnes CO_2e)								
Location-based	84,600	96,660	50,349	61,421	40,656	43,212	34,526	34,940
Market-based	83,402	95,460	45,421	56,504	36,411	38,967	31,254	31,668
Scope 3 (tonnes CO_2e)	n/a	n/a	n/a	n/a	970,680 (907,365)	971,314 (907,501)	905,732 (868,742)	905,839 (868,849)
Total Scope 1, 2 & 3 (tonnes CO_2e)								
Location-based	n/a	n/a	n/a	n/a	1,011,970 (948,021)	1,014,526 (950,713)	940,258 (903,268)	940,779 (903,789)
Market-based	n/a	n/a	n/a	n/a	1,007,091 (943,776)	1,010,281 (946,468)	936,986 (899,996)	937,507 (900,517)
Intensity Measurement (tonnes CO_2e per £m revenue) Scope 1 & 2								
Location-based	21.0	24.0	13.3	16.2	12.6	13.3	10.5	10.7
Market-based	20.7	23.7	12.0	14.9	11.2	12.0	9.5	9.7
Intensity Measurement (tonnes CO_2e per £m revenue) Scope 1, 2 & 3								
Location-based	n/a	n/a	n/a	n/a	312.2 (292.7)	313.2 (293.5)	287.0 (275.7)	287.2 (275.9)
Market-based	n/a	n/a	n/a	n/a	310.9 (291.4)	311.9 (292.2)	286.0 (274.7)	286.2 (274.9)
Energy Usage (Scope 1 & 2)								
Total energy consumed (kWh)	330,568,000	380,090,000	210,794,000	256,835,000	169,551,000	179,465,000	160,371,000	162,099,000

1. Location-based uses the average emissions intensity from the grid where we source the energy.
2. Market-based uses the emissions intensity based specifically on the energy mix procured.
3. All carbon emission statistics which include scope 2 electricity are calculated using a market-based method. This change from location-based methodology has been made to accurately align to our Science Based Target submission and accurately reflect our procurement of renewable electricity.
4. In FY22 we amended our carbon reporting period from 12 months ended 30 June to 12 months ended 31 March. All carbon data relates to this period.
5. Scope 3 emissions for FY22 & FY23 have been restated to reflect increased boundaries. Figures in brackets are as per the FY22 boundaries.
6. Energy usage (scope 1 & 2) is rounded to the nearest MWh.

Zero avoidable waste

Strategic objective

We define avoidable waste as waste being generated at every stage of a project's lifecycle and, at the end of life, recovering products, components and materials at the highest possible level of the waste hierarchy while ensuring minimal environmental impact.

To deliver these objectives we challenge our projects, waste contractors, materials providers and suppliers to implement circular solutions and project-specific waste reduction plans.

Why it is important

Delivering our zero avoidable waste strategy supports a reduction in the use of non-renewable materials by our business and contributes significantly to our scope 3 carbon reduction. In addition, a reduction in our waste will reduce costs to our business and our clients.

During FY23, we have continued to focus on waste reduction and avoidance.

Target

Elimination of avoidable waste by 2035. Targeting demolition and excavation waste and diversion from landfill.

Progress in FY23

Designing out waste

Across our business we are focused on designing out avoidable waste. Within our Highways division this can be seen in our collaboration with Birmingham City Council on asphalt road surfaces.

Single use plastic

We continue to focus on the minimisation of single use plastics across our business with the roll-out of our single use plastics toolkit helping to guide our colleagues with the phasing out of avoidable plastics. This guidance supports our aim to move to a more circular economy, keeping resources in use for longer and encapsulates the idea of 'waste less, reuse, recycle and repair more'.

To reinforce and embed our focus, we marked this year's World Environment Day by aligning to their theme of 'Beat Plastic Pollution'. This included direct action including beach cleans and litter picks by our colleagues.

Progress in FY23

Construction waste m³/£100k*

23	**3.0**
22	4.5
21	4.9

* Construction only.

Diversion from landfill (%)*

23	**91.5**
22	90.0
21	87.0

* Materials and packaging.

Demolition waste diversion from landfill (%)

23	**94.0**
22	95.0
21	91.0

Excavation waste diversion from landfill (%)

23	**88.0**
22	86.0
21	83.0

Biogenic asphalt & long-life road surfaces

As part of resurfacing works on the A452 Chester Road in Birmingham, we have trialled an innovative biogenic (plant-based) asphalt. Biogenic asphalts both replace some of the fossil fuel derived binder, reducing the production carbon footprint, and locks away carbon absorbed during the growth of the plant-based element, capturing around 3.45 tonnes of CO_2e. Additionally, using biocomponents in asphalt and bitumen supports the circular economy by ensuring 96% (76% reused and 20% recycled) of reclaimed asphalt is recycled or reused.

Given the importance of the A452 in Birmingham and the high volumes of traffic using it, to avoid future disruption, a high-strength polymer-modified bitumen ('PMB') was chosen for use in the surface over the biogenic asphalt. This approach provided further benefits by:

- extending the lifespan of the road surface;
- reducing future resurfacing;
- avoiding waste and carbon impacts of works;
- reducing congestions associated with ongoing maintenance, with carbon and air quality benefits.

Biosphere protection

"The biosphere and the protection of life on land and water is linked to and underpins all aspects of our operations."

Strategic objective

The biosphere, which is defined as the parts of Earth where life exists, provides basic life support systems and all the resources we rely on as a business.

We focus on the impact that our operations have on the planet's biosphere and introduce new ways of working to have a positive impact.

Why it is important

The biosphere and the protection of life on land and water is linked to and underpins all aspects of our operations. The work we undertake can have a lasting impact upon the environment.

The initiatives we develop to protect nature and better serve the environments we operate in will also help us to report in line with the forthcoming requirements of the Taskforce on Nature-Related Financial Disclosures.

Target

– To reduce the year-over-year cost of water.

Progress in FY23

As part of our commitment to mitigate the impact of our operations, we measure our use and conservation of water.

Cost of water as a percentage of operational spend (%)

23	**0.009**
22	0.010
21	0.030

Reducing flood risks: Par St Blazey Flood Alleviation Scheme

The St Austell Resilient Regeneration project aims to reduce flood risk to over 800 homes and businesses in Cornwall. The town's flood defences are old and over the years have become susceptible to the impact of climate change with increased flooding and coastal erosion. Working with the Environment Agency, we have delivered biodiversity net gain and carbon savings, transformed an uninteresting riverbank into a publicly accessible and wildlife friendly area; including:

- reinforcing river margins through the introduction of vegetated coir rolls to provide increased flow variation and shading along the river corridor for fish.
- replacing proposed gabion baskets with preseeded Geogrow bags to reduce carbon, cost and generate biodiversity benefits.
- introducing timber flow deflectors and stepped rocks in place of a concrete weir structure to address fish passage constraints.
- installing eel pipes, two kingfisher tunnels and recesses in stonework and slate ledges to provide fish refuges.

Sustainable procurement

Strategic objective
Sustainable procurement considers economic, environmental and social impacts alongside the more traditional quality and price elements when procuring goods and services.

Why it is important
Procurement decisions have a significant effect on the value chain. Understanding and actioning these impacts is critical to building sustainable supply chains.

Target
- Targeted spend of £2bn with our valued supply chain including Voluntary, Community and Social Enterprises ('VCSEs') across the UK's socially deprived areas.

Progress in FY23
- £2m spent with VCSEs in FY23

Prompt Payment
In line with the Prompt Payment Code, our latest Duty to Report on Payment Practices and Reporting submission, covering the half year from 1 January 2023 to 30 June 2023, showed the Group's aggregate average payment days was 34 days (H1: 34 days) and the percentage of payments made to suppliers within 60 days was 85% (H1: 87%).

We are committed to further improvements in our payment practices and continue to work with both customers and suppliers to achieve this.

Supply Chain Sustainability School
We are a founding partner of the Supply Chain Sustainability School where we collaborate with our peers, suppliers and clients to build a sustainable future for our industry. During the year we successfully commissioned a nature and biodiversity group.

Through the school we ensure our supply chain has the skills and competency to support our sustainability ambitions.

During the year, our supply chain attended over 3,000 workshops and completed over 5,000 hours of continuing professional development and training through the schools resources.

Supporting voluntary, community and social enterprise
We have continued to raise the visibility and capability of VCSE's in our supply chain.

Our Highways business worked with Skill Mill, a social enterprise focused on providing employment opportunities for young ex-offenders. We supported them gaining Constructionline Gold accreditation and have procured their services.

We also use two social enterprises for our Kier's signage requirements: Nordis Signs and Nuneaton Signs. Nordis Signs is our in-house business which is dedicated to employing people with disabilities.

Supply Chain Excellence
Our supply chain is a key part of our workforce and is fundamental to the successful delivery of our projects. We continue to collaborate with our supply chain to identify and share best practice.

We are currently focused on increasing the usage of our waste and fuel preferred suppliers. Our preferred supply chain partners work with us to drive better data accuracy, continuous improvement and social value benefits.

We also developed a sustainable procurement toolkit for our supply chain.

Diversity and inclusion

Strategic objective
We aim to shape a diverse and inclusive business which reflects the communities we live and operate in. We believe that diversity of thought creates a high-performing business.

Why it is important
A diverse and inclusive business enables:
- High-performing teams
- An innovative workplace
- The best service to our customers
- A culture where people can thrive

Targets
As part of our aims to reduce our Gender Pay Gap we will focus on:
- improving gender diversity through the organisation, increasing the representation of females in the top quartile by 15%
- increase the ethnicity of the organisation in line with our Diversity & Inclusion ('D&I') roadmap

Progress in FY23
Delivery against our D&I Roadmap
During the year, we progressed with the delivery of our D&I roadmap and making our project sites and offices more inclusive.

In October 2022, we performed a pulse survey on our people where 62% of respondents said they believe that Kier is making progress in creating a more inclusive workplace.

Policies
We also support flexible working practices at Kier and have introduced a number of family friendly policies including updated maternity and paternity leave as well as fertility and fostering policies.

Employee networks
We have established employee networks covering gender, ethnicity, ability, LGBT and Allies, Armed Forces and Kier Inclusion which act as a voice for our people to share experiences.

We have over 900 employees engaged in the networks, which is over 9% of employees.

Developing our people
Expect Respect
Our pulse survey also measured how included our people felt. 81% of respondents felt that Kier is a workplace where they can expect respect. We continue to deliver training to our people on D&I awareness and Expect Respect which educates and empowers colleagues to build an inclusive workforce.

Recently we have expanded our Expect Respect campaign to also focus on roadworker abuse. This campaign has been adopted by Birmingham City Council.

Other development programmes
We are committed to improving the diversity of our leadership teams at Kier. We monitor the diversity of those who take part in our leadership and management programmes and also track them through talent and succession plans. We are committed to developing diverse future leaders across Kier.

Inclusive Recruitment
We have a number of positive action programmes to bring new diverse talent into Kier. We are training our managers in inclusive recruitment and making our interview procedures more inclusive.

Prisoner Employment
Kier was the first construction company to offer an apprenticeship to a serving prisoner on release on temporary licence ('ROTL') and supported in the change of law that allowed this to happen. Since July 2022 we have delivered over 20 engagement events in custody which have led to 19 ROTL placements and over 21 offers of employment to prison leavers with Kier or our direct supply chain partners.

Refugee Employment
In July 2022 we launched a partnership with RefuAid, a refugee charity, to support forcibly displaced people find opportunities commensurate to their skills and experience within the UK. The partnership involved a mentorship programme as well as direct sourcing of candidates through RefuAid.

As a result of the scheme, Kier has offered eight refugee candidates employment, with five accepting and joining the business.

Armed Forces Employment

Since July 2022 we have offered over 50 Veterans and Reservists employment opportunities with Kier, and we have also offered 14 service leavers work placement opportunities on our sites.

All abilities

Kier is a disability confident employer and is committed to ensuring that the organisation is an inclusive place for all abilities. We recruit people based on abilities and individual merits.

We are members of the Business Disability Forum, a business membership organisation that works in partnership with business, UK Government and disabled people to remove barriers to inclusion. With the support of our occupational health team, we support colleagues that need workplace adjustments to ensure that they can fulfil their potential and progress their careers at Kier. This includes adjustments to roles, premises, workstations and equipment amongst others.

Gender and Ethnicity

We are passionate about developing our people and providing them with the tools, knowledge and drive, to progress in their careers into more senior roles across the business.

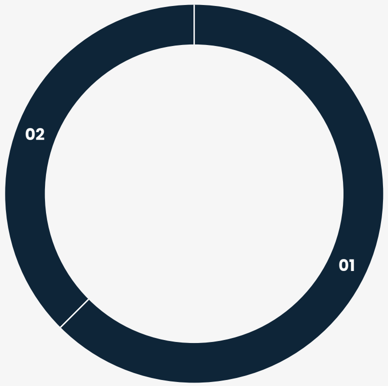
Our FY23 gender diversity at Board and senior manager level as a percentage of the workforce and our overall gender diversity remains similar to FY22 at 25%. With our D&I roadmap in place, we are targeting incremental change over the long term. This includes:

- implementation of a new performance management and employee development system, alongside a more transparent process for internal recruitment and promotion opportunities
- continue to monitor our data, challenging the inclusivity of our processes
- introduction of our agile working toolkit for sites
- continue to develop our diverse talent through our development programmes
- developing the inclusive leadership skills of our line managers through our 'Being a Kier Manager' development programme
- developing the Kier culture where inclusion and respect are key behaviours

We progressed our ethnic diversity from 8% in FY22 to 16% in FY23 due to improved recruitment and reporting.

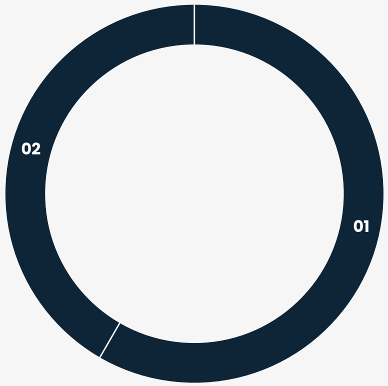
Gender and Ethnic diversity

Board – Gender



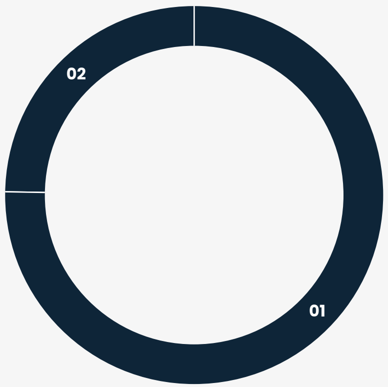
01 **5** Male
02 **3** Female

Senior managers – Gender



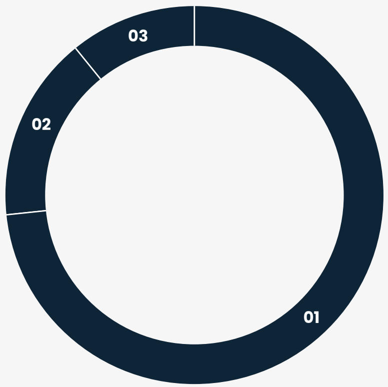
01 **56** Male
02 **40** Female

All employees – Gender



01 **7,700** Male
02 **2,510** Female

All employees – Ethnicity



01 **7,498** White
02 **1,624** Ethnic minority
03 **1,088** Not disclosed

Our social purpose and value

Strategic objective
We focus on opportunities to provide social, economic and environmental value for the communities our operations impact, focusing on the most vulnerable and disadvantaged.

Why it is important
As a strategic supplier to UK Government, delivering social, economic and environmental value is fundamental to our ability to win work and secure positions on long-term frameworks. UK Government contracts above £5m require social value commitments. We also believe social value is an important part of our aim to tackle inequality by creating employment and training opportunities.

Targets
- Working with our supply chain, employees and the community to generate £5bn of social value
- Create brighter futures for 500,000 individuals

Progress in FY23
- Achieved £5bn of cumulative social and economic value since we set our targets in FY21.

Open Doors
During the year, Kier was involved in Open Doors, an annual event run by Build UK. As part of the event, we opened several of our sites in the UK to visitors from local schools and colleges to inspire the next generation to consider a career in construction.

Teacher Encounters
We also believe teachers have a key role to play in offering careers advice. We supported the Careers and Enterprise Company's Teacher Encounter programme, which is part of a national initiative to encourage 1,000+ teachers to complete work experience in industry over the course of a year and take their learnings back to the classroom.

Community engagement
Community engagement and support is an important part of our social purpose.

Examples of key initiatives are set out below:

The Kier Foundation
The Kier Foundation is an independent registered charity with a vision to build a dynamic and engaging charity that will lead the way in social impact and employee wellbeing across Kier.

Our three-year partnership with homelessness charity, Every Youth, came to an end. During its partnership, Kier raised over £480k, and provided £107k of renovation work, which has enabled Every Youth to provide specialist support to c.400 young homeless people.

Our new partner is Trussell Trust, a charity working to stop UK hunger and poverty.

Creating opportunities to learn

The team at Sellafield Retreatment Plant provided c.850 volunteer hours and £800 worth of materials to refurbish a local theatre, Warrington's Carnegie Theatre. They created a safe meeting place for community groups and revenue-generating room hire for local businesses.

An in-house skills academy was also set up to create the next generation of construction workers. The academy delivered 14 apprenticeships and three graduate placements.

Supporting the local community

Our Bushmills Gas Pipeline project was awarded a Gold International Green Apple Environment Award for minimising disruption and adding value to the local community. The project provided lessons focused on sustainability and recycling, created outdoor classrooms and involved local groups to help with the build.

Employee wellbeing and engagement

“Safety is our licence to operate which is underpinned by the wellbeing of our greatest asset, our people.”

Strategic objective

To create a safe, collaborative and high-performing culture where all our people belong, contribute and thrive.

Why it is important

Safety is our licence to operate which is underpinned by the wellbeing of our greatest asset, our people. We are committed to investing in our people to create a positive safety culture where everyone feels trusted, empowered and acts with integrity. Engaging with our supply chain as a responsible contractor and delivering best in class service to our clients.

Targets

- Improved year-over-year safety, wellbeing and engagement
- At least 50% of our colleagues feel emotionally engaged with Kier

Progress in FY23

- 65% employee engagement achieved in FY23 compared to 58% in FY22.

Safety

We are pleased that the Group’s 12-monthly rolling Accident Incident Rate (‘AIR’) of 88 represents a decrease of 23% compared to 115 in FY22. The AIR rate is calculated by headcount and therefore volume adjusted. It equates to 22 RIDDOR reportable incidents in FY23 compared to 28 in FY22. This is a strong performance and reinforces the positive effect our approach to risk and hazard management is having on our safety management.

The Group’s 12-month rolling All Accident Incident Rate (‘AAIR’) of 320 has remained static with a 1% increase.

We continue to focus on risk and hazard management across the business, providing autonomy to the businesses to manage their specific operations.

Each business has benchmarked its safety culture using the Health and Safety Executive (‘HSE’) safety climate tool. The results provided each business with their own platform to improve upon based on their own people’s beliefs and perceptions.

Following an investigation by the UK’s national regulator for workplace health and safety, the HSE, on 23 January 2023 the Group was fined £4.4m for safety breaches in connection with two incidents in our Highways business dating back to March 2018 and January 2019. The incidents relate to work carried out on the M6 motorway.

Since these incidents occurred, the Highways business has been very successful in transforming its safety record. Throughout the year to June 2023, Kier has had market-leading safety performance as recognised by National Highways.

Cost of living crisis

People are at the heart of our Group and we ensure that we pay them a competitive wage and offer support through the cost of living crisis. Since April 2021 Kier has been an accredited Real Living Wage employer. The cost of living crisis has resulted in the Group accelerating the application of the Real Living Wage from April to January, for c.850 people and we are working to extend this to all those employed on a Kier site. Kier employees received, on average, a 4% pay rise in FY23 and we intend to offer a further pay rise of up to 5% FY24.

We have also focused on many other areas of employee welfare and support with other key initiatives such as:

- **Inflation support payment** – we awarded c.800 employees with an inflation support payment of £300 in November 2022. This payment was in addition to the pay increases noted previously and was targeted to provide financial support to those who we believe are most challenged with the high increases in food, energy and household bills.
- **Enhanced sick pay** – we have also implemented enhanced sick pay terms for our lowest paid employees, providing them with increased financial peace of mind if they are absent from work due to sickness.
- **Financial support** – financial support for employees is always an important area and has been magnified by the cost of living pressures. For our workforce that need additional financial support we have introduced support and guidance in the form of Salary Finance. Salary Finance provides education and a savings option through HMRC’s Help to Save scheme as well as responsible loans.
- **Mortgage advice** – we have arranged a service, providing our employees with free professional mortgage and financial advice.

We are continuing to review the impact of the rising cost of living on our lowest paid employees. We continue to monitor the situation and will consider taking further steps as appropriate.

Wellbeing
Alongside safety, we continue to place greater importance on the wellbeing of our people. We know that investing in our people and supply chain will help maintain their health, keep them energised and make them feel valued. During the year, we have done this through:

Employee engagement surveys
Engaging with our people through the Your Voice surveys. The focus this year has been on inclusion within the workplace and the experiences of our degree students, apprentices, industrial placement students and graduates.

Site visits
Visible Leadership Tours ('VLTs') from our Board, Executive Committee and senior management which involve significant employee engagement and feedback with site and project teams.

Health checks
Completion of over 40 sessions and testing over 2,000 people across our business with an external health check provider. We believe in proactively helping our people to manage their health. We have also rolled out a wellbeing training programme in addition to our existing first aid training.

Lighthouse Club
We began working with the Lighthouse Club, a construction industry charity that provides independent mental, physical, emotional and wellbeing support to workers and their families. All employees and our supply chain can access support through a 24/7 helpline, text support service and a network of people who offer a safe space to share and socialise with like-minded people in a face-to-face environment.

Culture
We rolled out a culture and behavioural programme through a series of workshops across Kier to further encourage and create a safe, collaborative and high-performing culture.

Emerging talent and Apprenticeships
We continue to invest in talent. In FY23, we had 9% of our employees undertaking formal learning programmes, including apprenticeships, graduates and leadership programmes. We are also a member of the 5% Club which supports training and development opportunities.

Apprentices
We continue to deliver apprenticeships as a key means of upskilling colleagues and bringing in diverse emerging talent to reduce the industry skills gap. In FY23 we had 646 apprentices which equates to 6% of our workforce.

50% of our apprentices are new recruits. The remaining apprentices are made up of upskilling existing employees, predominantly through our management and digital apprenticeships.

Supporting our workers

Kier is a company supporter of the Lighthouse Club, which provides mental health and wellbeing support to thousands of construction workers across the UK.

Every working day in the UK and Ireland, two construction workers take their own life and over 20% of recorded work-related absence in our industry is caused by stress, anxiety or depression.

Our partnership with the Lighthouse Club not only adds to the support we offer to Kier employees, but also ensures that it's accessible to thousands of people working within our wider supply chain. It offers a 24/7 emergency helpline and free translation for 200 languages – which means anyone can access emotional, financial and physical wellbeing support without a language barrier.

This offers continued access to their network of over 350 Lighthouse Beacons, which offer a safe space to share and socialise with like-minded people. The Beacons are facilitated by individuals with lived experience, who can encourage those struggling with life's problems to share their issues and, if necessary, signpost to additional support. Through our policy of offering staff two paid volunteering days each year, we are also encouraging colleagues to volunteer at the Beacons.

Protecting human rights

Strategic objective
We are committed to protecting the human rights of all those we encounter in the course of our business and in the wider communities where we operate. This commitment influences how we do business, driving ethical behaviour through our policies, procedures and governance.

Why it is important
Taking our responsibility to protect human rights seriously is the right thing to do for our people, for our customers, for our supply chain and for a strong resilient business.

Target
– Help mitigate against the risk of modern slavery in our business through awareness raising and training.

Progress in FY23
Training was undertaken by over 3,000 colleagues in FY23.

We have a number of policies which are designed to manage the risks relating to modern slavery and human trafficking, including our Operating Framework, Code of Conduct, Real Living Wage, Anti-Slavery and Human Trafficking Policy, Employee Handbook, Strategy for Responsible Procurement and Whistleblowing Policy.

Our modern slavery statement which is available on our website sets out where we are and what we have done to monitor and enhance the effectiveness of our actions against modern slavery and human trafficking.

During the year we established a working group with representation from each of our business divisions to further develop our processes in this area.

Procedures
The risks relating to modern slavery and human trafficking can apply anywhere in our operations, whether through direct employment, subcontracted employees or the supply of materials or services. We require our suppliers and subcontractors to ensure that there is no slavery or human trafficking in their own supply chains. If issues are identified which are not resolved to our satisfaction, we review these with the relevant organisation(s) and take remedial action, as appropriate.

All our employees undertake regular compliance training on how to identify the signs of modern slavery.

We also continue to offer training to our supply chain.

During the year, we completed a number of external ethical labour audits. We have used the findings to improve our processes going forward.

Building for tomorrow

"Building for tomorrow ensures that we continue to drive future-focused Kier initiatives both within the Group and externally."

Strategic objective

Drive innovation for our stakeholders, industry and communities.

Why it is important

Building for Tomorrow ensures that we continue to drive future-focused Kier initiatives both within the Group and externally. We learn from best practice in other organisations to better support our clients, supply chain and colleagues to deliver on their sustainability ambitions.

Targets

– Establish Kier as a leading sustainability business within the built environment and beyond; and
– Develop partnerships to drive forward sustainability initiatives.

Progress in FY23

Alternative fuel sourcing and innovation

Hydrogen trials

We have undertaken a green hydrogen generator trial in our Construction business. The trial delivered a proof of concept, to demonstrate that such technology could be adopted as supply of green hydrogen increases. In addition, our Transportation business continues to work with the supply chain on hydrogen technology and is currently undertaking a feasibility study for the UK's first hydrogen powered depot.

Sourcing sustainable hydrotreated vegetable oil ('HVO')

We are contributing to an industry research exercise alongside our peers, fuel supply chain and clients to deliver a due diligence framework that supports the assessment of HVO sustainability across the construction sector. In the meantime, we have paused any increase in the use of HVO and continue to prioritise other fuel reduction initiatives.

Green Revenue classification

The FTSE Russell's Green Revenues Classification System identifies company revenue from products and services contributing to a global green economy. For the first time this year, we have identified qualifying green revenue from each of our divisions in all 3 tiers:

– Tier 1 – Clear and significant environmental benefits
– Tier 2 – Limited but net positive environmental benefits
– Tier 3 – Some environmental benefits but are overall net neutral or negative

Green Economy Mark (FY23 FTSE Russell Green Revenues Classification)

Code	Micro-Sector	Green Tier	Description	£000's
ES.03.0	Smart City Design & Engineering (General)	2	Revenue generating activities related specifically to the design, development, manufacture or installation of products and services that allow cities to use IT and communication technologies to operate at a significantly higher resource efficiency level.	£87,008
EM.01.0	Buildings & Property (Integrated) (General)	1	Revenue generating activities related specifically to the design, development, manufacture or installation of energy and other resource efficient products and services for use in residential, commercial and municipal buildings. Products include those that contribute to international certification standards such as LEED and BREEAM and can include entire buildings.	£1,077,965
EM.06.0	Lighting (General)	1	Revenue generating activities related specifically to the design, development, manufacture or installation of energy efficient lighting.	£9,922
EQ.07.0	Nuclear (General)	3	Revenue generating activities related specifically to the development, processing, production and distribution of equipment and plants engaged in the supply of power generation that harnesses the energy present within atomic nuclei or their components.	£55,053
EG.08.0	Solar (General)	1	Revenue generating activities related specifically to the operation and supply of power generation that harnesses the power of solar radiation, such as solar photovoltaic or concentrated solar systems but excluding solar thermal heating systems.	£1,915
TE.02.1	Railway (Infrastructure)	1	Revenue generating activities related specifically to the design, construction or management of rolling stock and rail infrastructure. Activities include locomotives, rolling stock, railway infrastructure, systems and equipment (excluding infrastructure where the primary good transported is coal).	£525,524
WI.06.0	Water Infrastructure (General)	1	Revenue generating activities related specifically to the design, development, manufacture, operation or installation of products and services that enhance water infrastructure systems. This includes specialty pipes, pumps, valves, actuators, hydrants and meters activities and the development and construction of water infrastructure.	£231,537
WP.07.0	Waste Management (General)	2	Revenue generating activities related specifically to the design, development, manufacture, installation or operation of equipment and services for the collection, management and treatment of waste.	£9,804
EM.08.0	Smart & Efficient Grids	1	Revenue generating activities related specifically to the design, development, manufacture or installation of equipment and services that enhance the efficiency of operation of the electrical power network. This includes advanced meters, distributed generation, 'smart grid' technologies, high efficiency power generation, transmission and distribution technologies.	£99,824
WI.07.0	Water Treatment (General)	2	Revenue generating activities related specifically to the design, development, manufacture or installation of technologies or facilities for the separation and purification of water to meet environmental standards. This includes membranes, ultra-violet, desalination, filtration, ion exchange, biological treatment, chemical and environmental treatment.	£102,937

Total green revenue and % of total FY23 revenue		
Green Tier 1 revenue	Clear and significant environmental benefits	£1,946,688 (57.6%)
Green Tier 2 revenue	Limited but net positive environmental benefits	£199,749 (5.91%)
Green Tier 3 revenue	Some environmental benefits but are overall net neutral or negative	£55,053 (1.63%)

Sustainably delivering infrastructure vital to the UK

The COP26 and COP27 UN Climate Change Conferences highlighted that global greenhouse gas emissions continue to grow, with a requirement for them to peak before 2025 and drop by 43% by 2030 if we wish to limit global warming to 1.5°C and prevent the worst impact of climate change to society.

To support this there is an increasing focus on businesses to contribute, to make commitments, and take action supporting this reduction. Our actions must be based on science, and we must be accountable and transparent in our climate disclosure.

At Kier, our purpose is to sustainably deliver infrastructure which is vital to the UK. In accordance with this, our success cannot come at a cost to society or the environment, and we are working to accelerate our decarbonisation and the adaption of our business to our changing climate.

We are building upon our existing sustainability framework to support this objective through the evolution of our sustainability framework, including a double materiality assessment (conducted in accordance with EFRAG guidelines (see page 45).

In 2021, we launched our pathway to net zero, which sets out how our businesses will achieve net zero carbon emissions by 2045 across our own operations and value chain.

In this report, we detail our climate-related financial disclosures consistent with all of the Task Force on Climate-related Financial Disclosures ('TCFD') Recommendations and the recommended disclosures as outlined in 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' published in October 2021, including the sector-specific content from the Materials and Buildings Group. The report covers our governance of climate change and demonstrates how Kier incorporates climate-related risks and opportunities into the Group's risk management, strategic planning and decision-making processes aligned to our net zero ambition.

Recommendation	Recommended disclosures	Pages
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate-related risks and opportunities	63
	b) Describe management's role in assessing and managing climate-related risks and opportunities	63
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	65–68
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	64–65
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	68–69
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks	64
	b) Describe the organisation's processes for managing climate-related risks	64
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	63–64
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	69
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas ('GHG') emissions, and the related risks	50
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	69

Governance

Board level oversight

Board level oversight of our climate change strategy is provided by our ESG Committee, which is led by Non-Executive Director Alison Atkinson. The Committee oversees all ESG matters and is responsible for the oversight of climate-related issues, including risks and opportunities. During the year, our sustainability leaders delivered a deep dive into climate and social value for the ESG Committee. Net zero carbon is one of the ten pillars of the Group's Building for a Sustainable World framework. The framework ensures sustainable action is driven through our core business decisions, annual budget process and our strategic objectives. The current framework ended in FY23 and as part of its evolution we have expanded this focus from Net Zero Carbon to climate action (see pages 47–50).

In addition, the Board continues to recognise climate change as a principal risk for the business and the climate-related risks we have outlined below provide further details of that principal risk and are incorporated into our risk management structure. The Group's net zero targets and commitment to the Science Based Targets initiative ('SBTi') and Business Ambition for 1.5°C provide our overall short and long-term targets for climate change management. The Board monitors our progress against these and against several underlying interim targets (see page 47) which make up our net zero transition plan. In March 2023, we submitted and began the verification process for our net zero and near-term targets with the SBTi.

Management level

Climate-related management responsibility sits with our Group Sustainability Leadership Forum ('SLF') which oversees progress against the Building for a Sustainable World framework. The Group SLF is led by the Chief Executive, who has ultimate responsibility for climate-related risks, and includes the Chief People Officer who is responsible for driving Kier's sustainability strategy, and the Group Health, Safety and Wellbeing & Sustainability Director, who is responsible for sustainability delivery and performance. The Group SLF meets quarterly and monitors risks, opportunities and progress against our sustainability KPIs, reporting to the ESG Committee.

The Group SLF is informed by a Group-wide Sustainability Management Group, which manages our broad sustainability agenda, and a Climate Working Group convened specifically to co-ordinate delivery of our climate action and carbon reduction strategies. In turn, each of our divisions has its own Sustainability Leadership Forum, made up of key cross-functional individuals from the division, responsible for achieving the Building for a Sustainable World framework objectives. The Group's climate consultant, Energise, support accurate reporting of emissions and our climate management projects, e.g., tracking fuel use and emissions, quantification of embodied carbon in materials. Each Kier division has a transition pathway to net zero.

Evolving TCFD governance

As part of the evolution of our Building for a Sustainable World framework we are reviewing our governance and decision-making structures relating to sustainability issues at all levels of our business to increase integrated management and to review broader ESG disclosures as well as climate-related risks.

TCFD Governance

Board

ESG Committee

(Chair: Alison Atkinson – Non-Executive Director)

The ESG Committee oversees all ESG matters and is responsible for the oversight of climate-related risks and opportunities of the Group.

Risk Management and Audit Committee ('RMAC')

(Chair: Clive Watson – Non-Executive Director)

The RMAC determines principal risk appetite, assessing the effectiveness of risk management and internal control designed to mitigate the impact of the Group's operations.

Executive

Group Sustainable Leadership Forum

(Chair: Andrew Davies – Chief Executive)

Management level oversight of progress against the Building for a Sustainable World framework, including climate-related responsibilities.

Group Risk Committee

(Chair: Stephen Milne – Group Legal and Compliance Director)

Acts as the link between the business and the Board/the RMAC with respect to risk management.

Management

Chief People Officer
Responsible for driving sustainability and ESG strategies

Group Legal and Compliance Director
Responsible for management of strategic risks, including climate change

Group Health, Safety and Wellbeing & Sustainability Director
Responsible for sustainability delivery and performance

Group Risk Function
Provides assurance of risk management framework and policy

Group Sustainability Management Group
Manages our broad environmental sustainability agenda

Business management
Identifies and assesses risk. Oversees the management of risk within the business

Group Net Zero Carbon Working Group
Co-ordinates implementation of the Group strategy into the business streams

Strategy

Climate change is reshaping the world we operate in. Although this generates risks for our business, the transition to a net zero world also provides compelling opportunities. We outline our relevant climate-related risks and opportunities and how each impacts our activities and strategy. Our evaluation of the risks and opportunities covers all of our divisions although some risks and opportunities are specific to particular markets, and this is reflected in our assessment of magnitude.

In FY22 we produced our first TCFD disclosure, identifying six climate-related risks and five climate-related opportunities that we assessed as having potential to materially impact our business. Materiality is determined to be risks and opportunities that, when not managed properly, have the potential to significantly impact on business or value chain operations, associated environmental impact or financial performance.

We have used scenario analysis to improve our understanding of the impacts of risks and opportunities under different climate outcomes, which helps assess the resilience of our business to climate change. During FY23 we continued to assess three climate-related scenarios looking forward to 2050, but have worked with our climate consultancy to refresh and enhance these with global (CMIP5 mean model from the World Meteorological Organization) and regional (UK Climate Projections 2018 and the UK Climate Resilience Programme) physical scenario data transition scenarios.

In alignment with this scenario analysis, we have updated the time horizons of this year's materiality review to better assess risks, assessing short-term as 2023–2025, medium-term as 2026-2030 and long-term as 2031-2050. The short and medium time horizons are broadly aligned to our strategic and business risk management processes and our near-term, 2030, science-based targets. The long-term time horizon was chosen to reflect the long-term lifecycle of the buildings and infrastructure Kier constructs and maintains and in alignment with the Paris Agreement net zero 2050 targets.

Scenarios:
- An orderly transition scenario, with early action and a temperature rise of around 1.5°C in 2100 (RCP2.6)
- A disorderly transition scenario, with late action and a temperature rise of around 2°C in 2100 (RCP2.6)
- A high emission scenario, with a temperature rise of greater than 3°C in 2100 (RCP8.5)

We have quantified our risks and disclose these in line with the low, medium and high definitions for risk impact outlined in the risk management section on pages 74–83.

Our updated assessment reviewed risks to each of our operating divisions, allowing us to develop mitigation and management strategies for key market risks. Our enhanced scenario analysis and adjusted time horizons have collectively resulted in revisions to our strategic risks and opportunities identifying five material climate-related risks and four opportunities; these are identified on pages 65 and 66.

We continue to work to address the challenges caused by climate change, to transition Kier to a low carbon business and to support our supply chain and clients with their own climate priorities. Case studies outlining our climate mitigation and adaptation activities are included throughout the Building for a Sustainable World report on pages 42–61.

Finally, because of the long-term nature of some of our climate-related risks and opportunities we acknowledge the challenges associated with aligning these to financial planning corporate risk processes. We will work to address these challenges as our TCFD methodology further matures.

Risk management

We consider climate-related risks and opportunities in all physical and transition risk categories, current and emerging, regulatory requirements whether they occur within our own operations, upstream, or downstream of the Group and whether they first occur within the short (until 2025), medium (2026-2030) or long term (2031-2050) time horizons. Climate-related risks and opportunities relevant to us were identified with the help of external consultants, CEN-ESG in FY22, being built upon and enhanced with Energise in FY23. Climate-related risks and opportunities are assessed on the existing Group risk management framework to determine their relative significance in relation to other Group risks and allow for integration into the Group risk management framework. Prioritisation of risks is primarily based on the risk score resulting from a 3x3 matrix encompassing impact magnitude and likelihood, combined with a supplemental measure of risk velocity, which provides an additional perspective to risk likelihood.

Risk and opportunity assessment

Risks and opportunities are assessed as through assessment of the likelihood and magnitude of risk.

Magnitude (quantification) is defined as:
- low (the exposure is well-understood, with a relatively low cost of mitigation, less than £10m),
- medium (risk may be tolerated provided that the benefits are considered to outweigh the consequence, £10m-£50m), or
- high (risk threatens the viability of the Group or there is a reasonable likelihood of danger to people or material reputational damage (greater than £50m).

Likelihood is defined as:
- improbable (the risk is not foreseen as likely to occur or may occur in exceptional circumstances),
- possible (a relatively infrequent occurrence for the Group), or
- probable (a relatively frequent occurrence for the Group).

The Chief Executive has ultimate responsibility for climate-related risks, and the Board has overall responsibility for risk management across the Group. The Chief Executive, Chief Financial Officer and Executive Committee carry out a quarterly risk review where the response, mitigations and controls of risks are assessed. The Group's Risk Management and Audit Committee ('RMAC') considers principal risks and reviews the effectiveness of the systems of risk management and internal control. The climate-related risk and opportunity register was reviewed and approved by the RMAC during the financial year.

Risks

Five key climate-related risks have been identified.

Risk	1. Carbon pricing mechanisms	2. Transitioning to lower emissions technology & materials	3. Increasing customer requirements & industry standards	4. Extreme weather events	5. Long-term climate impacts
Risk Rating	High	Medium	Low	Medium	Low
Type	Transition (emerging regulation)	Transition (technology)	Transition (markets)	Physical (acute)	Physical (chronic)
Area	Own operations	Upstream	Downstream	Upstream	Own operations/Upstream/ Downstream
Primary potential financial impact	Increased direct costs	Increased direct costs	Decreased revenues due to reduced demand for products and services	Increased direct costs, lost revenue and disruption	Decreased revenues due to reduced production capacity
Description	Legislation designed to reduce emissions through the application of a carbon tax to businesses and materials, expected to come into force around 2030. The highest impact is under the orderly transition with early climate action	Emerging regulations, standards, and incentives require products and materials to meet low carbon requirements. Our compliance is reliant on third-party innovation. Additionally, our net zero commitments may result in us having to turn down high emission contracts	All Kier divisions are exposed to increasing customer requirements and industry standards related to climate change. We may be at risk of losing contracts if they do not meet the latest standards or face penalties if contracts are in progress and standards are not met	We are exposed to extreme weather conditions in different ways. Extremes in temperature (heatwaves and icy conditions) can lead to damage to plant and result in unsafe working conditions. Flooding creates a risk to construction operations, including pollution risks, programme delays and necessitate changes to design	To date climate change impacts have been minimal. However, over the longer term we expect to see increasing operational risks and management costs associated with: – construction dust in summer and risks to sensitive local communities – water pollution risks in winter associated with increased rainfall – unsafe working conditions for employees, e.g. heat exhaustion
Time horizon	Medium term	Medium term	Short term	Long term	Long term
Mitigation	Kier has: – Committed to net zero scope 1, 2 & 3 operations by 2045 – Expanded our carbon design and assessment capability – Created operational decarbonisation pathways for all divisions – Committed to developing an internal carbon pricing mechanism in the next 2 years	We collaborate with suppliers, peers and clients to share the risk of developing and trialling low carbon products and materials An example this year is the collaboration relating to HVO due diligence (see page 60) In addition, a rigorous client and partner screening process ensures we choose to work with organisations whose goals are aligned to our own	We regularly engage with our clients to incorporate their carbon reduction plans into our design and planning. We report in full on our net zero processes, performance and ambition During FY23, we undertook a double materiality assessment as further align our strategy to stakeholder priorities Our Whole Life Carbon Assessment Service has been expanded, to lower project embodied and operational carbon, ahead of expected increasing client and regulatory requirements	We have integrated the UKCP18 into our scenario analysis for the first time allowing the assessment of climate risks regionally to inform management and mitigation We are using market-specific scenario analysis and risk assessments to continually improve operational risk controls During FY23 we updated our supply chain risk assessments, including the potential for disruption and increased costs from climate change	We integrate weather and climate risks into the project design and delivery schedule ensuring operations are prepared and adapted to our changing climate Our ISO 14001 certified environmental management system (EMS), across most divisions, ensures environmental risks are effectively assessed and managed In FY24 we will align our EMS to our project lifecycle management approach – enhancing operational controls at each lifecycle stage

Case studies demonstrating our progress to mitigate risks can be found through the Building for a Sustainable World report (see pages 42–61).

Opportunities

Four key climate-related opportunities were identified.

Opportunity	1. Customer demand	2. Resource efficiency and natural resources	3. Construction energy efficiency & renewable energy	4. Enhanced reputation
Opportunity Rating	High	Medium	Low	Medium
Type	Transition (products and services)	Transition (Resource efficiency)	Transition (Resilience)	Physical (Products and Services)
Area	Own operations/Upstream/ Downstream	Own operations	Own operations/Upstream	Downstream
Primary potential financial impact	Increased revenues through access to new and emerging markets	Reduced direct costs	Reduced direct costs	Additional revenue resulting from increased demand for products and services
Description	The trend towards low-carbon infrastructure, transport systems, renewable energy, and energy efficient buildings is creating a market growth opportunity for Kier including: – delivery of net zero buildings and retrofit – maintenance and repair of infrastructure – upgrades to flood defences and electrical grids	A key action to reduce our carbon footprint and mitigate higher build cost risks of lower carbon materials is by: – embracing modern methods of construction – the use of natural materials, and – resource efficient designs Realising this opportunity requires close collaboration with our client and supply chains as they can increase project duration and cost	Fleet and plant is a major operational decarbonisation focus; being predominantly fossil fuel fuelled (petrol and diesel) it accounts for 75% of our operational (scope 1 & 2) carbon footprint and is a large contributor to our supply chains operational emissions. Decarbonising heavy equipment and temporary power is the biggest opportunity to reduce operational carbon	Cultivating a reputation as a climate leader with a history of consistently going beyond compliance and delivering effective climate action across our value chain could lead to: – outperforming competitors and significant growth – an ability to attract and retain top talent – improved supply chain terms and costs
Time horizon	Short term	Medium term	Short term	Medium term
Mitigation	We have significantly expanded our in-house carbon assessment and design services. The use of regional scenario analysis (UKCP18) allows more tailored management of and response to physical climate risks and impacts	Our ISO 14001 certified management system ensures resources are managed sustainably, waste is avoided and we protect the natural environment Our in-house carbon assessment and advice service helps design out high carbon materials and identify opportunities for construction process efficiency Our continuing partnership with the Supply Chain Sustainability School provides a forum to increase supply chain skills and collaborate with our peers and clients to drive change	– We were the first major contractor to mandate battery storage units to be used alongside diesel generators – At our highway manufacturing plant we have switched our entire forklift fleet from diesel to electric – We are conducting a feasibility study examining if our highways depots can be powered using green hydrogen to fuel existing fleet, depots and equipment	During FY23 we have built a detailed understanding of our stakeholders' sustainability and climate change priorities and values as part of our double materiality assessment, aligning our Building for a Sustainable World Framework to the most material topics and our stakeholders' priorities. We regularly disclose our climate performance and supporting information through voluntary and mandatory disclosure schemes

Case studies demonstrating our progress to mitigate risks can be found through the Building for a Sustainable World report (see pages 42–61).

Significant climate-related risks and opportunities by division

Infrastructure Services

Transportation

Risks	Opportunities
Changes in temperature creating operational disruption	Reputational growth from strong performance
Physical climate impacts causing operational disruption and damage to assets	Growth in existing markets as a result of climate change

Natural Resources, Nuclear & Networks

Risks	Opportunities
Increasing fuel and energy costs	Growth customer demand for sustainability
Failure to meet client demand for climate performance	Growth in existing markets as a result of climate change

Construction

Risks	Opportunities
Changes in temperature impacting building design requirements	Growth in existing markets as a result of climate change
Exposure to carbon pricing mechanisms	Modern methods of construction

Property

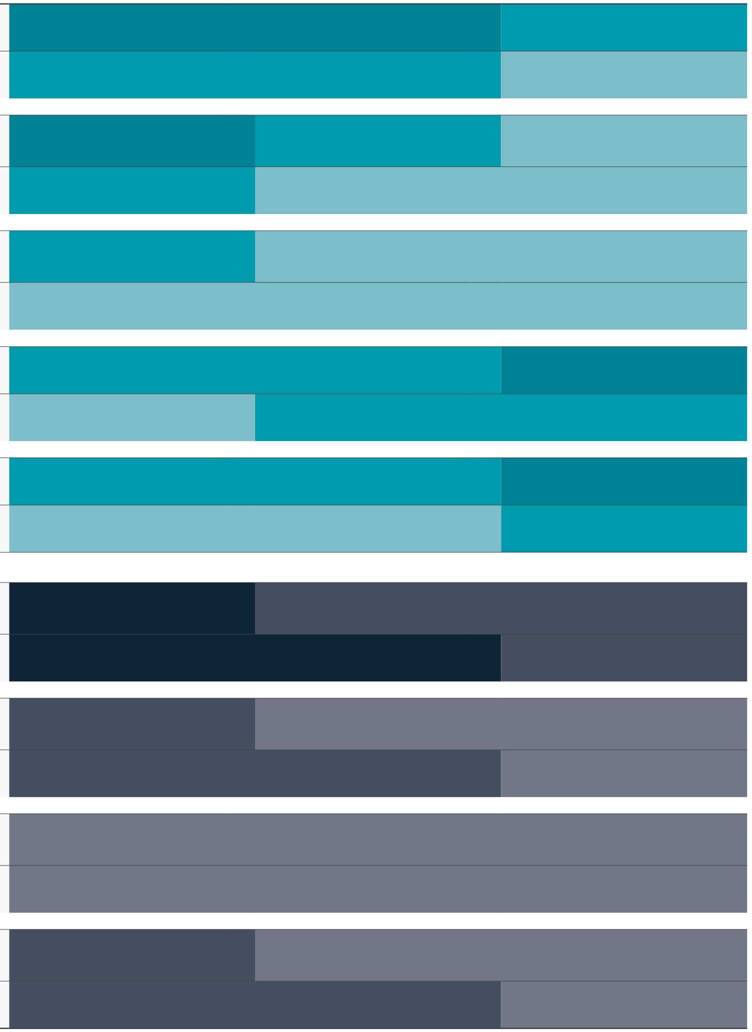
Risks	Opportunities
Exposure to carbon pricing mechanisms	Growth in existing markets as a result of climate change
Increasing regulations and standards for climate resilience and carbon mitigation	Increased demand due to client onshoring associated with climate risks

Climate-related risks and opportunities by climate scenario before and after mitigation or management

	Climate aspect	Risk/Opportunity	Time Horizon	
Transition Risks	**Emerging regulation**	Carbon pricing mechanisms	Medium term	Before mitigation
				After mitigation
	Technology	Transitioning to lower emissions technology and materials	Medium term	Before mitigation
				After mitigation
	Markets	Increasing customer requirements and industry standards	Short term	Before mitigation
				After mitigation
Physical Risks	**Acute**	Extreme weather events	Long term	Before mitigation
				After mitigation
	Chronic	Long term climate impacts	Long term	Before mitigation
				After mitigation
Opportunities	**Products and Services**	Customer demand	Short term	Before management
				After management
	Resource efficiency	Resource efficiency and natural resources	Medium term	Before management
				After management
	Resilience	Construction energy efficiency and renewable energy	Short term	Before management
				After management
	Products and services	Enhanced reputation	Medium term	Before management
				After management

Scenario

Orderly transition	**Disorderly transition**	**High Emissions Scenarios**
~1.5°C Early climate action/low carbon transition	<2°C Late climate action/low carbon transition	>3°C No/limited addition climate/carbon action



High risk | Medium risk | Low risk | High opportunity | Medium opportunity | Low opportunity

Metrics and targets

We monitor and report on scope 1, 2 & 3 greenhouse gas ('GHG') emissions as well as energy consumption. The calculation of our carbon footprint is in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, as reported on pages 48–50.

The Group's Building for a Sustainable World strategy provides a framework to manage climate-related risks and opportunities at Group and divisional levels.

The strategy contains clear targets associated with climate action which are SBTi aligned and in line with the UK Government's commitment to net zero by 2050.

Additional controls, actions and targets are in place for broader sustainability topics, including targets relating to water and waste reduction, as outlined between pages 51 and 52.

During FY24, as we progress the implementation of the evolved Building for a Sustainable World framework we will:

- Undertake nature and water materiality exercises; aligned to the TNFD LEAP methodology this will support the setting of long-term metrics and targets.
- Enhance our social value calculation methodology to more fully reflect the value of our climate, nature and waste actions

Scenarios

We have analysed and quantified how each of our climate-related risks and opportunities behaves under the three scenarios outlined in the table below. When taken in aggregate, we concluded that our risk management strategies, strategy, disclosure, and ambition make our business resilient to climate change. We will continue to develop our analysis as new data is made available both internally and externally and we will continue to monitor our climate exposures and action plans through Kier's risk management framework, governance structure, and with support from our climate partner, Energise. The opportunities identified continue to be developed in line with the Group strategy and objectives.

Scenario	Temperature range	Source	Overview
Orderly transition	Global temperatures rise of well below 2°C by 2100	– REMIND-MAgPIE 1.7–3.0 – Immediate 1.5°C with CDR (Orderly, Alt)[1] – IPCC[2] – UKCP18 RCP 2.6[3] – CMIP5 RCP2.6[4]	A co-ordinated global low carbon transition, which limits the global temperature rise to 1.5°C by 2100 from pre-industrial levels. It assumes current net zero pledges are achieved in full and there are extensive efforts to realise near-term emissions reductions. This includes clear and consistently implemented government policies. This scenario includes a carbon price pathway of \$135–\$6,050 USD/tCO_2e in 2030, and \$245–\$14,300 USD/tCO_2e in 2050.[2] Under this scenario physical risks are reduced within increased risks and opportunities relating to transition.
Disorderly transition	Global temperatures rise of less than 2°C by 2100	– REMIND-MAgPIE 1.7–3.0 – Delayed 2°C with CDR (Disorderly, Alt)[1] – IPCC[2] – UKCP18 RCP2.6[3] – CMIP5 RCP2.6[4]	A more conservative pathway, where it is not taken for granted that governments will reach all announced goals. This scenario is based on current policies that are projected to result in a 2°C temperature increase by the end of the century. Because the transition is delayed there must be more severe action to compensate. Carbon prices increase to \$135–\$6,050 USD/tCO_2e in 2030, and \$245–\$14,300 USD/tCO_2e in 2050.[2] Under this scenario physical risks and opportunities occur earlier, and transitions impacts are more severe due to delayed action.
High emissions scenario	Global temperatures rise of greater than 3°C by 2100	– REMIND-MAgPIE 1.7–3.0 – Nationally determined contributions (NDCs) (Hot house world, Alt)[1] – IPCC[2] – UKCP18 RCP8.5[3] – CMIP5 RCP8.5[4]	A 'high emission' climate change scenario, with limited climate action beyond current levels and energy intensive growth and increasing fossil fuel consumption throughout the century. Carbon prices are limited to \$15–\$220 USD/tCO_2e in 2030 and \$45–\$1,050 USD/tCO_2e in 2050.[2] High physical climate risks are expected (extreme weather), with limited transition risks and lower opportunities for low carbon growth.

1. REMIND-MAgPIE. REgional Model of INvestments and Development.
2. IPCC (2018) Synthesis Report (SR1.5). Global warming of 1.5°C.
3. UKCP18: UK Climate Projections 2018 (part of the Met Office Hadley Centre Climate Programme).
4. CMIP5 mean model from the World Meteorological Organization.

Engaging with all our stakeholders

Our business performance comes from the contribution of both our internal and external stakeholders.

Our values contribute to Kier benefitting all of them and our approach to each one are set out here.

Our shareholders, customers, colleagues, supply chain partners, UK Government, banks, lenders, sureties and insurers, pension trustees and joint venture partners are all key stakeholders. We connect with them at all levels of our business through our frontline operations, support teams and our businesses, our senior leadership team, the Executive Committee and the Board and its committees.

We engage with stakeholders in lots of different ways – from virtual meetings and conferences to reviews, forums and webcasts. To understand how well we are re engaging with different groups, the Board and its Committees receive regular updates and use them to make better decisions, and provide feedback and constructive challenge on activities, programmes and initiatives being considered.

Shareholders

The owners of the Group backed Kier with significant investment during the 2021 capital raise and therefore engagement with them is very important.

Their expectations are:

– to generate long-term sustainable shareholder returns through the execution of our strategy.

What we have done

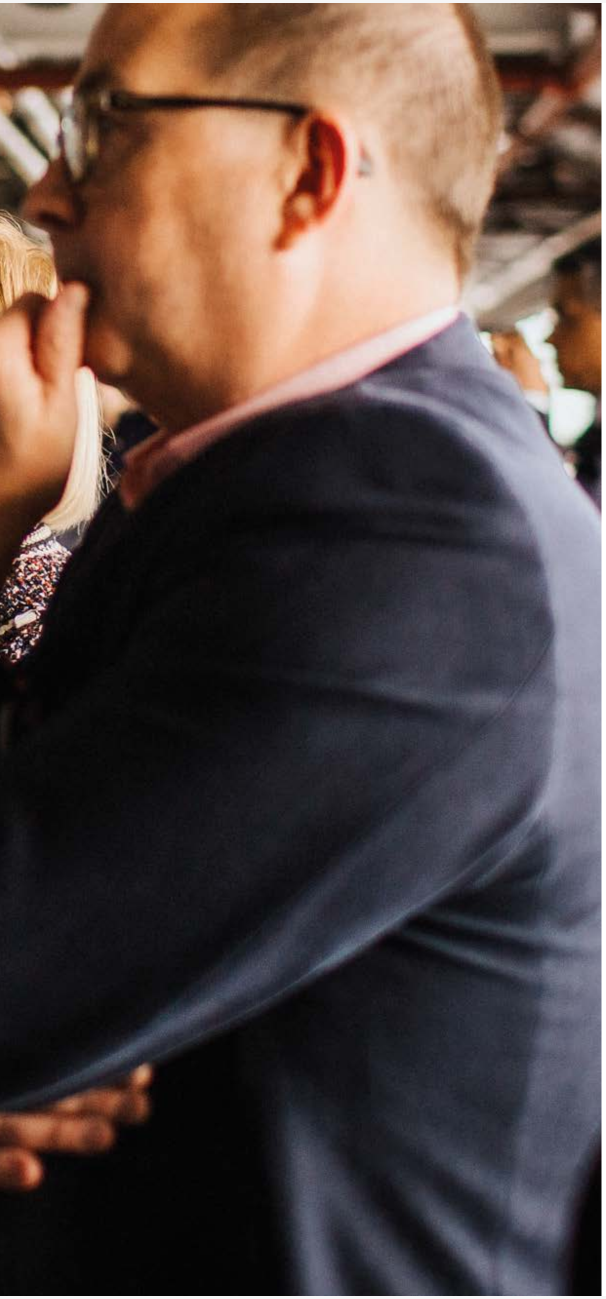
We communicate regularly with shareholders through our website, the Annual Report, trading statements and we held a site visit to see some of the work we are delivering for HS2.

During the year we held an AGM which afforded a chance for the Board to meet and engage with shareholders in person.

We manage relationships with institutional investors through an investor relations programme. It includes one-to-one conversations, roadshows, group meetings, conferences and industry events. We will also be reaching out to retail investors going forward.

During the year, our Chairman, Matthew Lester met investors to discuss corporate governance related matters and our new Remuneration Committee chair, Margaret Hassall consulted extensively with our largest shareholders to help shape the Directors' Remuneration Policy ahead of the 2023 AGM.

The Board receives regular reports on shares being bought and sold, share price performance and how we are engaging with institutional investors and analysts.



Customers

Our business is based upon long-term regional relationships which supports our work winning at a local and national level with the UK Government, regulated customers and blue-chip clients. We aim to meet our clients' and customers' expectations including pricing and scope of work with a risk-disciplined approach.

Their expectations are:

– to deliver projects on time and to budget using our workforce, design and project management skills. We aim to meet our clients' and customers' expectations including pricing and scope of work with a risk-disciplined approach
– supporting our customers achieve their environmental and social value commitments.

What we have done

We ensure that the Group maintains good relationships with key customers at a local level and consistently meets clients' expectations on project delivery.

Given the evolving needs of our clients, we recently re-aligned our Infrastructure Services segment from three segments into two: Transportation and Natural Resources, Nuclear & Networks. We believe this aligns our capabilities, skills and expertise to those of our customers.

The Group is a strategic supplier to the UK Government. Accordingly, we regularly report to the Cabinet Office to ensure we meet their requirements.

In addition, the Board receives regular reports covering customer feedback and we also measure our performance through customer satisfaction surveys.

Colleagues

Kier is a people-based business and our performance as a Group depends upon our ability to attract and retain a dedicated workforce of c.10,000 employees.

Their expectations are:

– our workforce is skilled, motivated and competitively compensated
– the safety, health and wellbeing of all our employees is our number one priority, and it remains of paramount importance
– we have policies and programmes in place to provide an inclusive work environment.

What we have done

The Board receives regular updates from the Chief Executive and the Chief People Officer on our colleagues, progress against key people strategy initiatives, culture and overall sentiment within the organisation.

– **Cost of living crisis** – the Group accelerated the application of the Real Living Wage from April to January, for c.850 people and we are working to extending this to all those employed on a Kier site. Kier employees received, on average, a c.4% pay rise in FY23 and we intend to offer a further payrise of up to 5% in FY24.

We have also focused on many other areas of employee welfare and support with other key initiatives such as:

– **Inflation support payment** – we awarded c.800 employees with an inflation support payment of £300 in November 2022. This payment was in addition to the pay increases noted above and was targeted to provide financial support to those who we believe are most challenged with the high increases in food, energy and household bills
– **Enhanced sick pay** – we have also implemented enhanced sick pay terms for our lowest paid employees, providing them with increased financial peace of mind if they are absent from work due to sickness
– **Financial support** – financial support for employees is always an important area and has been magnified by the cost of living pressures. For our workforce that need additional financial support we have introduced support and guidance in the form of Salary Finance. It provides education and a savings option through HMRC's Help to Save scheme as well as responsible loans.
– **Mortgage advice** – we have arranged a bespoke service, providing our employees with free professional mortgage and financial advice.
– **Safety improved** – the Group's 12-month rolling Accident Incident Rate ('AIR') in FY23 of 88 represents an decrease of 23% compared to FY22 and indicates the focus given to it during the year and our approach to risk is improving our safety management.

- **D&I** – In October 2022 we completed an inclusion pulse survey of our people where 62% of our people stated they believe that Kier is making progress in creating a more inclusive workplace. There are seven Employee Networks, voluntary groups of employees that come together periodically based on shared identity or life experiences. They create a supportive environment to bring people together. During the year, our Employee Networks have continued to grow and are fundamental to the delivery of the roadmap. There are now over 900 employees engaged in the networks, which is over 9% of employees. Our networks have at least one Executive Committee sponsor and are committed to creating a diverse and inclusive workplace through clear action plans.
- Health, wellbeing and training remain critical to the future of the Group. As well as continued engagement surveys, both the Board and Executive Committee visited many of the Group's sites and locations to encourage engagement. Our employee engagement score has increased to 65% (FY22: 58%) and at least 50% of our colleagues feel emotionally engaged with Kier. We also arranged health checks across Kier reaching over 2,000 people. We started working with the Lighthouse Club, a Construction charity providing independent mental, physical, emotional and wellbeing support. We continue to invest in training, with 9% of our workforce in a formal learning programme. In FY23 we had 646 apprentices which equates to 6% of our workforce and 50% of our apprentices are new recruits. This is recognised through our continuing membership of the 5% Club.

Supply chain partners

Our supply chain partners are key to the success of the Group. They help us deliver our projects. It is important that the Group has an ethical, sustainable and resilient supply chain.

Their expectations are:
- pay them in line with our agreed terms
- collaborate with them to benefit all stakeholders
- help them optimise their own supply chains.

What we have done
During the year, we have focused on investing in our supply chain partners through two key methods – training and prompt payment.

Kier is a founding member of the Supply Chain Sustainability School which is available to everyone who works in the construction, facilities management, homes and infrastructure sectors. It covers such topics as Waste & Carbon, Fairness, Inclusion and Respect and The Modern Slavery Act as well as many more sustainability issues.

During the year, our supply chain attended over 3,000 workshops and completed over 5,000 hours of continuing professional development and training though the schools resources.

In the Payment Practices and Reporting submission covering the period from 1 January 2023 to 30 June 2023, the Group's average payment days were 34 days (H1: 34 days) and the percentage of payments made to suppliers within 60 days was 85% (H1: 87%).

We are committed to further improvements in our payment practices and continue to work with both customers and suppliers to achieve this. We are fully committed to complying with the 30-day payment requirements for small and medium sized firms. To further support local supply chains we have spent c.69% of expenditure with small-and-medium-term enterprises ('SME's') on public sector frameworks.

UK Government

As a strategic partner to the UK Government and a key supplier to UK regulated asset owners we are vital to building and maintaining infrastructure. In addition, we also support them in achieving their environmental and social value targets.

Their expectations are:
- invest in skills and capability aligned to their investment in infrastructure priorities
- assist in the delivery of their net zero carbon agenda and social value commitments
- provide value for money solutions.

What we have done
As one of the UK Government's strategic suppliers we regularly engage with representatives of the Cabinet Office.

We also participate in stakeholder receptions, workshops, roundtables, organise site visits and official site opening ceremonies with representatives of UK Government agencies and departments such as the Department of Education, Infrastructure Projects Authority, Department for Business and Trade, Department for Transport and the Ministry of Justice.

Banks, lenders, sureties and insurers

As providers of banking, debt facilities and other financial support they are key stakeholders unpinning the growth of the group.

Their expectations are:

- commitment to generate cash from operations and strengthen the balance sheet
- meet our covenant obligations.

What we have done

The Group's management has regular meetings with our financial partners, ensuring they have confidence in the financial performance and position of the Group. We report our covenant calculations every six months.

The Group ensures effective cash forecasting and working capital management through quarterly reviews, monthly management accounts and daily monitoring of our financial position.

Pension trustees

The trustees are responsible for ensuring our colleagues' pension schemes are run properly and that the benefits for the members are secure.

Their expectations are:

- Kier continues to fulfil our commitments under the deficit reduction plan
- that clear and open communication is maintained between trustees and the Group.

What we have done

The Group has continued to make agreed deficit reduction payments as agreed and regular meetings between the Group and the trustees have been maintained.

During the period we agreed the latest triennial actuarial valuations or the Kier Group and May Gurney schemes, both for 31 March 2022. This has resulted in a reduction in deficit payments going forward given Kier's improved financial position and the level of payments made over the last two years.

Joint venture partners

In order to ensure that we offer our customers the best solutions we often use joint venture partners to deliver projects, particularly on complex large-scale infrastructure projects. In addition, the Property business will often form joint ventures with public and private sector bodies.

Their expectations are:

- Kier and the partner work together to deliver the agreed project outcome
- risks to be shared and mitigated.

What we have done

The Group continues to successfully deliver our section of High Speed 2 through our EKFB joint venture with Eiffage, Ferrovial and BAM.

We ensure that there is regular communication with the delivery partners to ensure that we meeting the expectations of the UK Government.

How we manage risk

Oversight

The Board retains overall responsibility for how the Group manages risk and for the Group's systems of risk management and internal controls. The Board determines its appetite with respect to the Group's principal risks and, via the Risk Management and Audit Committee ('RMAC'), assesses the effectiveness of the systems of risk management and internal control which are designed to mitigate the impact of those risks on the Group's operations. The Board reviews risk as part of its strategy development sessions.

Risk management process

Group risks are assessed quarterly, agreed with risk owners and reported to the Group Risk Committee and RMAC. In addition, a risk management refresh is carried out with the Executive Committee annually. The business division commercial teams continue to ensure that the risk management principles of the Group are reflected within their operations and manage the process to allow the Group Risk Committee to consider both top-down and bottom-up risks.

Risk assessment and risk appetite

The Board undertook a review of the Group's principal and emerging risks (aligned to Kier's strategic actions), together with its appetite for the nature and extent of the risks that the Group is willing and able to take including those that would threaten its business model, future performance, solvency or liquidity, so as to inform the parameters within which the business is authorised to operate. Risk appetite qualitative statements provide further risk context and standards of mitigation from which they can be reported and monitored against. In addition, risk opportunities are also articulated and reviewed.

Key Risk Indicators ('KRIs') are used to evidence if a risk is improving or deteriorating in terms of likelihood and impact. KRIs have clear tolerance levels and are monitored and reported against each of the Principal Risks and Uncertainties ('PRUs'). This information is included in the reports to both the Group Risk Committee and the Risk Management and Audit Committee.

Risk management continues to remain at the heart of our operational delivery. Our risk management framework, which is based on the three lines of defence operating model, ensures we identify and manage the evolving internal and external risk landscape collaboratively with our clients. Further developments have been made throughout the year to the risk management framework – in particular, improvements in risk management reporting.

Three lines of defence operating model

01 Business teams

- Design and own operational risk and compliance frameworks
- Identify, assess, manage, monitor and report risks/issues controls and action plans

02 Risk & Compliance

- Design strategic risk and compliance frameworks
- Monitor adherence to the risk and compliance frameworks
- Provide support and challenge to the first line
- Monitor and report on risk

03 Internal Audit Team

- Independently review first and second lines of defence
- Deliver assurance over risk management frameworks

Our risk management process

Board
As part of the Board's overall responsibility for risk, there is a structured flow of risk information for its notification and approval. The Board is provided with regular updates on risk management of critical contracts, ensuring effective awareness of risk management actions.

Group Risk Team
Provides risk challenge and support to the first line teams and provides a Group-wide risk update on principal and emerging risks. In addition, the team provides assurance over the risk management framework and policy and consolidates risk information and reports across the Group, monitoring risk and response plans.

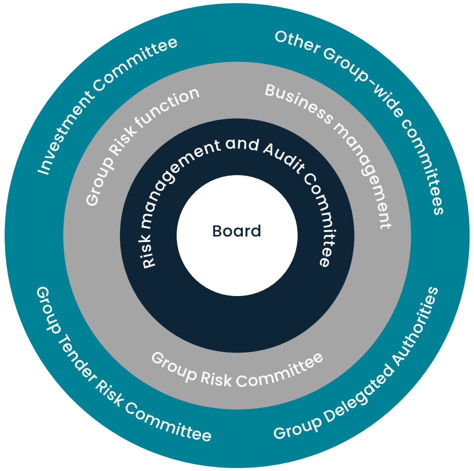
Internal Audit Team
Internal Audit supports the Group through independent review and objective assessment, and by promoting and supporting continuous improvement in the quality of business operations, the control environment and overall risk management.

Business management
Responsible for risk management frameworks, risk policy and processes. Commercial Directors, Group function heads and risk owners are on point for identifying, assessing, managing and mitigating current and emerging risks, and are pivotal in ensuring the right cultures and behaviours are demonstrated throughout business divisions.

Risk reporting and insight
The Group reviews its operations through the Executive Committee, Group Risk Committee, PRUs and operational risk processes to identify both risk and opportunities. Risk and internal audit support each other by reviewing the effectiveness of any changes made within operations to mitigate risks or benefit from opportunities.

> "Group risks are assessed quarterly, agreed with risk owners and reported to the Risk Committee and RMAC. In addition, a risk management refresh is carried out with the Executive Committee annually."

Our risk management framework



Board
Overall responsibility for risk management across the Group and oversight of the internal control framework. Assesses the principal and emerging risks facing the Group and its appetite with respect to those risks. Sets the Group's culture relating to risk management.

Risk Management and Audit Committee
Responsibility for overseeing the management of the Group's systems of risk management and internal control.

Group Risk Committee
Acts as the link between the business and the Board/the RMAC with respect to risk management.

Business management
Identifies and assesses risk. Oversees the management of risk within the business.

Group risk function
Consolidates risk information, reports across the Group and monitors risks and response plans.

Investment Committee
Reviews risks relating to the Group's investment decisions.

Other Group-wide committees
In particular the Group Information Security Board and Group Sustainability Leadership Forum consider risks as part of their regular discussions and agendas.

Group Tender Risk Committee
Provides independent review and risk mitigation recommendations in relation to trading opportunities and tenders undertaken by all Group businesses.

Group Delegated Authorities
The Board delegates the responsibility for the day-to-day management of Kier and its subsidiaries to the Executive Directors and other members of Kier Group's management, as set out in the Group's Delegated Authorities.

Principal risks and uncertainties

Introduction

During the year, the Board identified the PRUs facing the Group and assessed its appetite with respect to each PRU. Understanding the Group's risk profile, and how the Group manages risk, is central to the Board's decision-making process.

The Board's assessment of risk

The Board's assessment of the PRUs facing the Group; their potential impact, the mitigating actions proposed in respect of each risk, the change in risk profile during the year (in terms of impact and likelihood), and an indication of the Board's risk appetite for each risk are summarised in the Risk heatmap opposite. The risks are not listed in any order of priority. Risks are plotted on a net basis, including current mitigations.

Changes to the principal risks and uncertainties

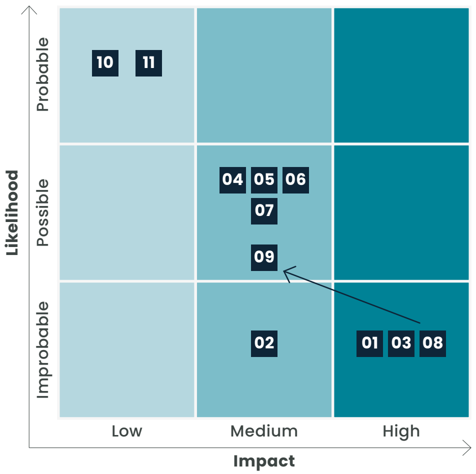
Last year's principal risks and uncertainties remain with one change to the IT security, resilience, cyber and data protection risk likelihood moved to 'possible' from 'improbable' and impact to 'medium' from 'high'. The key reasons for the likelihood change were the increase in cyber attacks generally across all organisations and heightened alerts globally. The impact of the risk has reduced through increased cyber risk mitigations across various areas.

We have reassessed our risk appetite in relation to macroeconomic risk from low to medium given that the current UK macroeconomic climate provides opportunities for Kier to capitalise on the UK government's infrastructure investment strategies.

Risk heatmap

The list below sets out the Group's principal risks and the Board's appetite with respect to each risk:

		Risk appetite
01	Health and safety	Low
02	Legislation and regulation	Low
03	Funding	Low
04	Maintaining an order book within selected markets	Low
05	Contract management	Low
06	People	Medium
07	Supply chain	Low
08	Strategy	Low
09	IT security, resilience, cyber and data protection	Low
10	Climate change	Medium
11	Macroeconomic	Medium



Risk appetite

Low – the Company has a very low appetite for risk that is likely to have adverse consequences and aims to eliminate, or substantially reduce, such risks.

Medium – the Company has some appetite for risk and balances its mitigation efforts with its view of the potential rewards of an opportunity.

High – the Company has a greater risk appetite where there is a clear opportunity for a greater than normal reward.

Impact

Low – The exposure is well understood with a relatively low cost of mitigation.

Medium – risk may be tolerated provided that the benefits are considered to outweigh the costs.

High – risk threatens the viability of the Group or there is a reasonable likelihood of danger to people or material reputational damage.

Likelihood

Improbable – the risk is not foreseen as likely to occur or may occur in exceptional circumstances.

Possible – a relatively infrequent occurrence for the Group.

Probable – a relatively frequent occurrence for the Group.

Principal risk	Description	Impact/actions

Health and safety

01

Level of impact
High

Risk status
No change

Risk owner
Chief People Officer

Link to strategic action
– Disciplined growth
– Consistent delivery

Board risk appetite
Low

Failure to maintain a safe working environment and prevent a major incident

The Group's operations are complex and potentially hazardous and require the continuous management of health, safety, wellbeing and sustainability matters.

Risk appetite rationale

Safety is, and will always be, our licence to operate. The health and wellbeing of our people has a direct impact on our operations. The Group will always have a low appetite for risk when it comes to protecting our most important asset, our people.

Risk appetite statement

We create and enable a working environment which ensures the health, safety and wellbeing of all our valued employees and stakeholders. We continue to maintain the various environments within which we operate.

Potential impact

- An increase in safety or environmental incidents on site
- The failure to meet clients' expectations, adversely affecting the ability to bid for and win new work
- Financial penalties arising from fines, legal action, and project delays
- An unhealthy employee population with heightened risk of stress resulting in greater levels of absence and less operational resilience.

Mitigating actions

- Focusing on the proactive approach to risk management including the creation of major risk groups specific to each business
- Simplifying our safety documentation making it easier for our people to access and understand and freeing them up to proactively manage safety on our projects
- Process put in place to enable greater lessons learnt sharing from incidents and high potential incidents
- Continued focus on the five safety, health and environment basics
- Embedding the four strategic pillars and associated objectives of the Health, Safety & Wellbeing strategy (behaviour, operational safety, health and wellbeing and engineering safety)
- Setting a tone from the top, through activities such as senior management visible leadership tours
- Ongoing roll-out and embed of the culture programme which recognises healthy behaviours.

Principle risks and uncertainties continued

Principal risk	Description	Impact/actions
Legislation and regulation **02** Level of impact **Medium** Risk status **No change** Risk owner **Group Legal & Compliance Director** Link to strategic action **– Disciplined growth** **– Consistent delivery** **– Generate cash** Board risk appetite **Low**	**Failure to comply with and manage effectively current legislation and regulation, and any changes to them** The sectors in which the Group operates are subject to increasing scrutiny from stakeholders, oversight from regulators and requirements including those introduced by new legislation or regulation. **Risk appetite rationale** To operate in our chosen markets, Kier must comply with all applicable legislation and regulation. To win high quality work from our intended client base we must be able to demonstrate compliance. Therefore, it is fundamental to Kier's continued success that we remain compliant. **Risk appetite statement** We ensure compliance with legal and regulatory requirements and continue to identify and plan for the implementation of new requirements via horizon scanning and subsequent policy/procedure implementation.	**Potential impact** – Penalties for failing to adhere to legislation or regulation – Increased operating costs of compliance – The loss of business – Reputational damage. **Mitigating actions** – Appropriate policies that are regularly reviewed and relevant training and awareness programmes to support policy implementation – Regular engagement with Government and Government agencies with respect to the Group's continued compliance – Monitoring of, and planning for, the impact of new legislation and regulations – Collaborative engagement with external stakeholders.
Funding **03** Level of impact **High** Risk status **No change** Risk owner **Chief Financial Officer** Link to strategic action **– Disciplined growth** **– Consistent delivery** **– Generate cash** Board risk appetite **Low**	**Failure to maintain adequate financial liquidity and/or comply with financial covenants** Failure to maintain adequate financial liquidity and/or comply with financial covenants resulting in an inability to execute the Group's strategy effectively. **Risk appetite rationale** Our risk appetite is low as having access to committed funding is critical to ensuring operational stability. **Risk appetite statement** Ensuring the Group operates responsibly within its agreed borrowing covenants is a key component of the Group's financial planning and monitoring processes. The Group is targeting a sustainable net cash position in the medium term.	**Potential impact** – The loss of confidence by other stakeholders (for example, investors, clients, subcontractors and employees) – Conducting existing business becomes increasingly challenging – The loss of future business. **Mitigating actions** – Effective cash forecasting and working capital management in combination with continued monitoring and prudent financial planning to ensure cash generation and covenant compliance is maintained – Continued collaborative engagement with key stakeholders – Through financial planning the Group ensures that appropriate levels of headroom under committed facilities and their financial covenants are in place to accommodate reasonable downside – The Group's revolving credit facility is scheduled to expire in January 2025. The Board is confident in the Group's ability to access a number of available funding markets to achieve an appropriate capital structure and would expect to complete its re-financing in the current financial year.

Principal risk | Description | Impact/actions

Maintaining an order book within selected markets

04

Level of impact
Medium

Risk status
No change

Risk owners
Group Managing Directors

Link to strategic action
– Disciplined growth
– Generate cash

Board risk appetite
Low

A general market or sector downturn materially and adversely affects the Group's ability to secure work – UK Government spending, certainty and timing, including competitiveness of the current market

The Group strategy sets out specific sectors that it wishes to trade within. The pipeline of work could be adversely affected by a general or sector downturn or cause a delay to projects going to site.

Risk appetite rationale

Low appetite to move away from our selected markets because of the higher risk of securing loss making projects and the additional costs associated with serving too many sectors.

Risk appetite statement

We are disciplined by operating in selected markets where opportunities are right for us in terms of our skills, expertise and suitability – enabling optimal delivery and benefits for our stakeholders.

Potential impact

- A failure of one or more of the Group's businesses
- Increased competition for new work
- A decrease in stakeholder confidence in the Group.

Mitigating actions

- To continue to secure long-term frameworks within each of our business divisions
- Tailoring the Kier offer to meet customer needs
- Maintaining an efficient cost base.

Contract management

05

Level of impact
Medium

Risk status
No change

Risk owners
Group Managing Directors

Link to strategic action
– Disciplined growth
– Generate cash

Board risk appetite
Low

Failure to manage contracts effectively throughout the project lifecycle

The business suffers a significant loss as a result of failing to adequately undertake bidding, design, mobilisation, delivery and handover (including any remediation works).

Risk appetite rationale

The Group has a low risk appetite in relation to tender and change management because of the increased risk of a loss making project or unacceptable WIP.

Risk appetite statement

We are disciplined with our project selection to ensure we select projects under frameworks or with clients who provide repeat business. We then proactively manage contracts at each stage of a project's lifecycle gateway. Frameworks, policies and standards are in place and are consistently effective throughout the business.

Potential impact

- A failure to manage project delivery and WIP and, ultimately, to meet the Group's financial targets
- The Group incurring losses on individual contracts
- The Group failing to win new work because of reputational impact.

Mitigating actions

- Tender peer review through the Group Tender Risk Committee
- Kier standards for contract amendments
- Commercial Handbook explains how we manage change
- In-built escalation to identify unacceptable levels of unagreed change.

Principle risks and uncertainties continued

Principal risk	Description	Impact/actions
People **06** **Level of impact** Medium **Risk status** No change **Risk owner** Chief People Officer **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Medium	**Failure to attract and retain key employees** The Group's employees are critical to its ability to deliver the medium-term plan. The Group needs to identify, retain and motivate people with the right skills, experience and behaviours and to identify tomorrow's leaders. **Risk appetite rationale** While there are market fluctuations outside of our control, we have appetite for people risk to a degree. We have strong mitigating controls and actions to ensure a workforce with strong competencies, skills and capabilities. **Risk appetite statement** We develop a workforce with the required competencies, skills and capabilities to deliver our business plan. We ensure we have a compelling employee proposition to ensure people are attracted, developed and retained in order to deliver operations.	**Potential impact** – An adverse effect on the delivery of the Group's purpose and strategy – A lack of operational leadership, potentially leading to poor project performance – An erosion of the Group's employer brand. **Mitigating actions** – Rollout of culture programme across the business – People strategy aligned to the medium-term business plan – Diversity and Inclusion roadmap – Health, safety and wellbeing strategy – Management and leadership development offer – Roll out of Being a Kier Manager/line manager training – Listening to feedback from employees, including the use of engagement surveys – Creating an effective, inclusive work environment, through our Performance Excellence culture.
Supply chain **07** **Level of impact** Medium **Risk status** No change **Risk owner** Chief Financial Officer **Link to strategic action** – Disciplined growth – Consistent delivery **Board risk appetite** Low	**Failure to maintain effective working relationships with the supply chain, supply chain insolvencies, capacity, pricing, inflation volatility** The Group relies upon its partners for the delivery of its projects. Maintaining a close working relationship is a priority for the Group. **Risk appetite rationale** We have a low appetite to exposing ourselves to unmanageable supply chain risk because of the impact on our ability to deliver to customers. **Risk appetite statement** We continue to have positive relationships with our supply chain and subcontractors. They are risk assessed and vetted for good financial and reputational standing. We have a strong relationship with our suppliers and product associations and maintain a constant dialogue over the availability of products and alternatives.	**Potential impact** – Unavailability of appropriate resources, impacting on project delivery and cost – Use of suppliers from outside the preferred supplier list increases cost and decreases quality – Poor relationships lead to lack of confidence in the Group and adverse publicity. **Mitigating actions** – Continuing updating the Kier subcontract to reflect the principles of the Construction Playbook – Placement of a Procurement Director directly into Construction and Transportation divisions to deliver their supply chain management strategy, the review of Procurement personnel in other divisions is ongoing – Continued focus to meet prompt payment reporting requirements – Further use of the shared service centre and division resources to channel spend and reduce risk – Continued support of security software and investigate right to work module for further risk reduction across the business.

Principal risk	Description	Impact/actions
Strategy **08** **Level of impact** High **Risk status** No change **Risk owner** Chief Executive **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Low	**Failure to deliver the Group's strategy** The Group fails to deliver its strategy in terms of medium-term targets – £4bn-4.5bn turnover, 3.5% margin, 90% cash conversion and a net cash balance. **Risk appetite rationale** Delivery of the Group's medium-term targets is critical to delivering our investment case. **Risk appetite statement** We have business plans that underpin the medium-term value creation plan. All of our operational performance management reviews are geared towards the achievement of this plan. Performance Excellence is in place to ensure we have the necessary focus on those capabilities to meet the strategic plan.	**Potential impact** – An adverse impact on the Group's net debt and liquidity – Failure to secure positions on national and regional frameworks – Failure to meet stakeholders' expectations may lead to a decline in confidence in the Group. **Mitigating actions** – Delivery of the balance sheet strategy – Maintaining a well bid order book – Delivery of project performance – Delivery of our Performance Excellence culture – Continued focus on cash management – Effective communication with stakeholders.
IT security, resilience, cyber and data protection **09** **Level of impact** Medium **Risk status** Impact has moved from high to medium and the likelihood has moved from improbable to possible. **Risk owner** Chief Information Officer **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Low	**Kier is exposed to IT security, resilience, cyber and data protection incidents** Failure to keep up to date with the modern attack landscape as well as protecting infrastructure from current conventional cyber/loss of data risks. **Risk appetite rationale** We need to hold and send data related to our people and our clients. The geopolitical pressures have increased the level of UK exposure to state sponsored events and ransomware sophistication, so we are at a heightened state of vigilance in relation to a cyber attack. **Risk appetite statement** We ensure that effective security is in place to prevent the loss of data/sensitive information or assets. Any potential loss of data regarding key IT infrastructure and systems is carefully protected against, including cyber-attack counter measures.	**Potential impact** – Operational impact – e.g., delivery of projects, key systems outage, failure to win work, loss of confidential and/or other data – Financial impact – regulatory fines/prosecutions – Reputational/brand damage. **Mitigating actions** – Staff mandatory training, awareness and phishing campaigns – Vulnerabilities, access and incident management – ISO 27001 and cyber essentials accreditation – Information security cyber business continuity plan – System alerts – Patching/updates and monitoring – Data loss prevention tools – Partners and suppliers follow Group minimum standards re cyber, security and data.

Principle risk and uncertainties continued

Principal risk	Description	Impact/actions
Climate change **10** **Level of impact** Low **Risk status** No change **Risk owner** Chief People Officer **Link to strategic action** – Disciplined growth – Consistent delivery **Board risk appetite** Medium	**Failure to identify and effectively manage climate change risks and opportunities** The Group's operations are subject to physical and transitional climate change risks. Some climate resilience measures offer opportunities to innovate and expand/enhance capabilities. **Risk appetite rationale** Due to the cost associated with the speed at which we achieve net zero carbon, our appetite to achieve certain reduction targets needs to be balanced against the cost to the business. **Risk appetite statement** We are committed to addressing climate change and have clear goals and objectives in place with regards to waste, energy, carbon and biodiversity. We comply with the statutory reporting elements that are associated with the task force on Climate-related Financial Disclosures.	**Potential impact** – Failure to meet client and investor expectations or regulatory requirements – Loss of opportunity to contribute to UK climate action policy and direction – Reputational damage – Failure to prepare/plan for physical and financial impacts of extreme and frequent weather conditions affecting operations and supply chain. **Mitigating actions** – Delivering against the Group's evolved sustainability framework – Develop strategic action plans for each business division that are specific to their goals to achieve our short, medium and long term net zero ambitions – Work with our supply chain to help deliver the actions associated with our strategic pillars – Maintain the climate risk and opportunities register – Embrace modern methods of construction and product innovation – Develop working groups to tackle the actionable items in each of our strategic pillars – Implement a new environmental data management system – Obtain accreditation to ISO14064.

Principal risk	Description	Impact/actions
Macroeconomic **11** **Level of impact** Low **Risk status** No change **Risk owner** Chief Executive **Link to strategic action** – Disciplined growth – Consistent delivery – Generate cash **Board risk appetite** Medium	**Changes in macroeconomic conditions negatively impact on Kier, its workforce and its clients** Our ability to win and deliver projects is impacted by developments in the UK economy which may arise from economic slowdown, interest rate rises, unemployment, inflation or UK political and geopolitical instability, resulting in a reduction in, or pausing of, UK Government and private sector spending in our selected markets. **Risk appetite rationale** Whilst economic conditions are outside of our control, our risk appetite is medium. Our selected markets offer a counter cyclical opportunity and we also a have a robust tender process, operating model, financial position and a strong order book. **Risk appetite statement** We are disciplined by operating in selected markets and focus on business where opportunities have an acceptable risk. We continue to deliver our contracts, supported by our risk management framework, Operating Framework and Performance Excellence processes.	**Potential impact** – Reduced revenue or margins – Project affordability – Availability of labour and materials – Increased supply chain insolvency risk. **Mitigating actions** – Use of financial derivative instruments to hedge exposure to fluctuations in interest and exchange rates. – Various market insight and intelligence relating to pricing, lead times – Kier risk management framework – Supply chain management – Kier Operating Framework and Performance Excellence processes – Kier Commercial Standards.

Financial review

“Continued strong operational performance led to a significant increase in profit from operations.”

SIMON KESTERTON
Chief Financial Officer

Summary of financial performance

	Adjusted[1] results			Reported results		
	30 Jun 23	30 Jun 22	Change %	**30 Jun 23**	30 Jun 22	Change %
Revenue (£m) – Total	**3,405.4**	3,256.5	4.6	**3,405.4**	3,256.5	4.6
Revenue (£m) – Excluding JV's	**3,380.7**	3,143.9	7.5	**3,380.7**	3,143.9	7.5
Profit from operations (£m)	**131.5**	120.5	9.1	**81.5**	45.1	80.7
Profit before tax (£m)	**104.8**	94.1	11.4	**51.9**	15.9	226.4
Earnings per share (p)	**19.2**	16.8	14.3	**9.5**	2.9	227.6
Free cash flow (£m)	**132.3**	54.6	142.3			
Net cash (£m)	**64.1**	2.9	2,110.3			
Net debt (£m) – average month end	**(232.1)**	(216.1)	(7.4)			
Order book (£bn)	**10.1**	9.8	3.1			
Supply Chain Financing (£m)	**–**	(49.8)	100.0			

1. Reference to ‘Adjusted’ excludes adjusting items, see note 5.

Introduction

The Group performed well during the year and delivered an adjusted operating profit of £131.5m (FY22: £120.5m). This represents a 20 basis points operating margin increase over the prior period to 3.9% (FY22: 3.7%) with the Group exceeding its medium-term value creation plan margin target of c.3.5% ahead of time.

The continued strong operational performance, together with lower adjusting items, led to a significant increase in profit from operations to £81.5m (FY22: £45.1m) and a 226.4% increase in profit before tax to £51.9m (FY22: £15.9m).

Adjusting items reduced by 32.4% to £52.9m (FY22: £78.2m). The current year charge includes £19.2m of amortisation of intangible contract rights, £12.6m of fire and cladding costs, £13.0m of restructuring and related charges and a net £5.3m in relation to historical insurance claims. The Group believes its restructuring activities are now substantially complete.

Adjusted earnings per share increased 14.3% to 19.2p (FY22: 16.8p).

The Group generated a free cash inflow of £132.3m during the year (FY22: £54.6m) driven by a strong working capital performance, in particular driven by growth in Q4 within the Construction business.

Net cash at 30 June 2023 of £64.1m increased significantly compared to the prior year (FY22: £2.9m), driven by the strong free cash flow performance. The net cash increase was achieved despite the Group repaying its supply chain facility (‘KEPS’), adjusting items, pension deficit obligations and purchasing existing Kier shares for future employee share based remuneration.

Streamlined performance

The Group continued to win new, high quality and profitable work in its markets on terms and rates which reflect the Group's bidding discipline and risk management.

Average month-end net debt for the year ended 30 June 2023 was £(232.1)m (FY22 £(216.1)m). As outlined in our FY22 results, the Group expected an increase in average month-end net debt due to the anticipated repayment of debt-like items such as KEPS and lower activity in our Construction business until the fourth quarter of the year. The average month-end net debt balance of £(232.1)m was better than expected due to mitigating actions taken through the year. The Group used positive operating cash flow to repay the average KEPS balance of £56.2m, to pay pension deficit obligations and to repay the remaining HMRC COVID-19 support of £6.1m.

The Group continued to win new, high-quality and profitable work in its markets on terms and rates which reflect the Group's bidding discipline and risk management.

The order book has increased to £10.1bn (FY22: £9.8bn), a 3.1% increase compared to the prior year end. c.85% of revenue for FY24 is already secured which provides certainty of further progress over next year.

Revenue

The following table bridges the Group's revenue from the year ended 30 June 2022 to the year ended 30 June 2023.

	£m
Revenue for the year ended 30 June 2022	**3,256.5**
Infrastructure Services	45.7
Construction	211.7
Property and Corporate	(108.5)
Revenue for the year ended 30 June 2023	**3,405.4**

The Group grew revenue in both Infrastructure Services and Construction, which more than offset the lower revenue in Property. In particular the growth within Infrastructure Services was driven by the ramp up of HS2. Utilities had anticipated higher volumes in the telecoms sector, however, changes to market conditions has resulted in reduced activity. This has had an adverse impact on the telecoms margin. Construction's improved performance was driven by its Kier Places business as well as HMP Millsike, Full Sutton.

Property transactions were down as expected due to a deterioration in market conditions. The deterioration was anticipated and therefore the Group accelerated the sale of certain portfolio items in the second half of the prior year to take advantage of the market conditions at the time.

The Group continues to focus on delivering high-quality and high-margin work.

Alternative performance measures ('APMs')

The Directors continue to consider that it is appropriate to present an income statement that shows the Group's statutory results only. The Directors, however, still believe it is appropriate to disclose those items which are one-off, material or non-recurring in size or nature. The Group is disclosing as supplementary information an 'adjusted profit' APM. The Directors consider doing so clarifies the presentation of the financial statements and better reflects the internal management reporting and is therefore consistent with the requirements of IFRS 8.

Adjusted Operating Profit

	£m
Adjusted operating profit for the year ended 30 June 2022	**120.5**
Volume/price/mix changes	9.2
Fewer property transactions, net of valuation gains	(4.8)
Cost inflation	(7.2)
Management actions	13.8
Adjusted operating profit for the year ended 30 June 2023	**131.5**

Adjusted operating profit improved compared to the prior year. The main reasons for this were an improvement in volume, price and mix changes as well as management actions to reduce costs. These were offset by inflationary pressures and lower property transactions compared to FY22.

A reconciliation of reported to adjusted operating profit is provided below:

	Operating profit		Profit before tax	
	30 Jun 23 £m	30 Jun 22 £m	**30 Jun 23 £m**	30 Jun 22 £m
Reported profit	**81.5**	45.1	**51.9**	15.9
Amortisation of acquired intangibles	**19.2**	19.7	**19.2**	19.7
Restructuring and related charges	**13.0**	40.0	**13.0**	40.0
Other	**17.8**	15.7	**20.7**	18.5
Adjusted profit	**131.5**	120.5	**104.8**	94.1

Additional information about these items is as follows:

- Amortisation of acquired intangible assets £19.2m (FY22: £19.7m):
  Comprises the amortisation of acquired contract rights primarily through the acquisitions of MRBL Limited (Mouchel Group), May Gurney Integrated Services PLC and McNicholas Construction Holdings Limited.
- Restructuring and related charges £13.0m (FY22: £40.0m):
  Restructuring costs include £7.6m incurred on redundancy and other people-related costs within the Group, including those related to the re-sizing of the International business. A further £4.9m was incurred on professional advisor fees and other non-people-related activities, including £1.6m of vacant property costs. The Group's restructuring is now substantially complete and there will be no further restructuring charges recognised in adjusting items.
- Other costs £20.7m (FY22: £18.5m):
  Legal and compliance costs include £12.6m incurred on fire compliance and cladding claims.
  A further £5.3m was incurred on insurance-related matters. This is made up of a provision of £8.0m against additional costs associated with an insurance-related receivable. This is offset by £2.7m of insurance proceeds following the fire at the Pure Recycling plant in July 2021.
  A further £1.5m was incurred as a result of the fine from HSE in relation to historical safety issues. In addition, £2.9m of finance costs relate to the IFRS 16 interest charge on leased properties that were previously vacated. Offsetting these costs was a £1.6m profit on the sale of mothballed land which had previously been impaired through adjusting items.

Earnings per share

Earnings per share ('EPS') before and after adjusting items have both increased significantly compared to prior year. EPS before adjusting items amounted to 19.2p (FY22: 16.8p). EPS after adjusting items amounted to 9.5p (FY22: 2.9p). There was a significant reduction in adjusting items in the year.

Finance income and charges

The Group's finance charges include interest on the Group's bank borrowings and finance charges relating to IFRS 16 leases.

Net finance charges for the year were £26.7m (FY22: £26.4m) before adjusting items of £2.9m (FY22: £2.8m).

Interest on bank borrowings amounted to £29.0m (FY22: £18.9m), and have increased during the year due to the higher average month-end net debt and increased interest rates. The Group was able to partially mitigate the risk of higher interest rates with a fixed interest rate swap of £100m, which resulted in a fair value gain of £1.1m as at 30 June 2023 and which expires in September 2023; and another of a further three-year fixed interest rate swap of £100m reducing to £75m in its second year and £50m in its third year and which expires in February 2026.

Finance lease charges were £9.5m (FY22: £6.5m) driven by the ramp up of HS2.

The Group had a net interest credit of £7.8m (FY22: £1.0m) in relation to the defined benefit pension schemes which has arisen due to the combination of the overall pension surplus and the discount rate (derived from corporate bond yields), at the start of the financial year. We anticipate this will reduce to c.£5.5m in FY24.

The Group continues to exclude lease liabilities from its definition of net cash/(debt).

Dividend

As part of the medium-term value creation plan, the Board intended to reinstate dividends when a near-term pathway to operating with an average net cash position was clear.

Given the Group's strong operational and financial performance over the last year, the year-end net cash position and confidence over further progress in the short term, the Board is able to confirm its intention to commence dividend payments to shareholders. Over time, we will progress to deliver a dividend, covered 3x by earnings and in a payment ratio of one-third interim dividend and two-thirds final dividend. The first dividend is expected to be announced alongside the interim results.

Balance sheet

Net assets

The Group had net assets of £513.0m at 30 June 2023 (FY22: £554.6m). The primary driver for this is the decrease in the pension scheme surplus during the period, offset by the retained profit for the year.

Goodwill

The Group held intangible assets of £645.0m (FY22: £669.1m) of which goodwill represented £536.7m (FY22: £536.7m).

The Group completed its annual review of goodwill, assuming a pre-tax discount rate of 13.1% (FY22: 11.1%), and concluded that no impairment was required.

The Infrastructure Services group of Cash Generating Units ('CGU') comprises £516.3m of the total goodwill balance. Whilst no impairment is noted and management believes the discounted cash flows applied is underpinned by the order book and current pipeline prospects, this CGU is sensitive to changes in key assumptions. The key assumptions in the value in use calculations are the forecast revenues and operating margins, the discount rates applied to future cash flows and the terminal growth rate assumptions applied. Further details of the sensitivities of these assumptions are disclosed in note 13 of the financial statements

Deferred tax asset

The Group has a deferred tax asset of £128.8m recognised at 30 June 2023 (FY22: £108.8m) primarily due to historical losses. The asset has increased in the year predominantly due to the deferred tax debit in relation to the movement in the pension scheme asset. In addition, tax losses of £10.8m have been used against current year profits.

Based on the Group's forecasts, it is expected that the deferred tax asset will be utilised over a period of approximately ten years.

An adjusted tax credit of £9.1m (FY22: £14.8m) has been included within adjusting items, representing the tax impact of adjusting items.

Right-of-use assets and lease liabilities

At 30 June 2023, the Group had right-of-use assets of £105.4m (FY22: £80.6m) and associated lease liabilities of £182.6m (FY22: £157.6m). The increase in the period is principally due to the levels of hired plant and equipment required for major Infrastructure projects, including HS2 and Hinkley Point C.

Investment properties

The Group has long-term leases on two office buildings which were formerly utilised by the Group that have been vacated and are now leased out (or intended to be leased out) to third parties under operating leases, as well as two freehold properties no longer used by the business that are being held for capital appreciation. These are all held as investment properties.

In addition, the Group's Property business invests and develops primarily mixed-use commercial and residential schemes and sites across the UK. One of these sites is held as an investment property, along with the Group's former mine at Greenburn, Scotland, which was granted planning permission for a wind farm during the year. The Group recognised an overall fair value gain of £11.4m across these sites which has been recognised in Other income.

Contract assets and liabilities

Contract assets represents the Group's right to consideration in exchange for works which have already been performed. Similarly, a contract liability is recognised when a customer pays consideration before work is performed. At 30 June 2023, total contract assets amounted to £401.9m (FY22: £397.5m).

Contract liabilities were £90.5m (FY22: £67.3m).

Retirement benefits obligation

Kier operates a number of defined benefit pension schemes. At 30 June 2023, the reported surplus, which is the difference between the aggregate value of the schemes' assets and the present value of their future liabilities, was £104.5m (FY22: £194.7m), before accounting for deferred tax, with the movement in the year primarily as a result of actuarial losses of £107.8m (FY22: £136.3m gains). A change in financial assumptions, resulting from higher corporate bond yields, has reduced the pension schemes' liabilities. This is partly offset by an experience loss of £51.4m. However, there has also been a fall in the schemes' asset values, largely due to the level of liability hedging in the asset portfolio. High inflation rates have also impacted the pension surplus through higher annual pension increases awarded.

During the year the Group agreed the triennial valuation for funding six of its seven defined benefit pension schemes. Given the Group's improved covenant and payments made under the existing schedule of contributions, the schemes are in a significantly improved position.

Accordingly, deficit payments will decrease from £10m in FY23 to £9m in FY24, £8m in FY25, £5m in FY26, £4m in FY27 and £1m in FY28.

Once the pension schemes are in actuarial surplus, they will cover their own administration expenses. In FY23, expenses amounted to £2.9m (FY22: £4.2m). The largest of the schemes is already in surplus.

Free cash flow and Net debt

	2023 £m	2022 £m
Operating profit	**81.5**	45.1
Depreciation of owned assets	**6.1**	6.6
Depreciation of right-of-use assets	**43.7**	30.0
Amortisation	**33.9**	28.0
EBITDA	**165.2**	109.7
Adjusting items excluding adjusting amortisation and interest	**30.8**	55.7
Adjusted EBITDA	**196.0**	165.4
Working capital inflow	**80.3**	3.7
Net capital expenditure including finance lease capital payments	**(51.4)**	(46.5)
Joint Venture dividends less profits	**0.7**	5.9
Repayment of KEPS	**(49.8)**	(29.3)
Other free cash flow items	**(5.2)**	9.0
Operating free cash flow	**170.6**	108.2
Net interest and tax	**(38.3)**	(32.8)
Free cash flow before COVID-19	**132.3**	75.4
Net COVID-19 tax repayment	**–**	(20.8)
Free cash flow	**132.3**	54.6

	2023 £m	2022 £m
Net cash at 30 June 2022	**2.9**	3.0
Free cash flow	**132.3**	54.6
Adjusting items	**(27.0)**	(41.2)
Pension deficit payments and fees	**(12.8)**	(15.0)
Fees paid in respect of prior year equity raise	**–**	(6.1)
Purchase of own shares	**(11.9)**	(7.0)
Other	**(19.4)**	14.6
Net cash at 30 June 2023	**64.1**	2.9

The Group has delivered a strong free cash flow for the year, driven by the underlying business performance and good working capital management. This performance was achieved despite the repayment of £49.8m of KEPS in July 2022.

The average month-end net debt position is higher than the comparative period at £(232.1)m, (FY22: £(216.1)m). Positive operating cash flow was used to pay off the remaining KEPS balance, pay adjusting items, tax and interest, pension deficit obligations, purchase existing Kier shares on behalf of employees and the remaining HMRC COVID-19 support.

The purchase of existing shares relates to the Group's employee benefit trusts which acquire Kier shares from the market for use in settling the Long Term Incentive Plan ('LTIP') share schemes when they vest. The trusts purchased and sold shares at a net cost of £11.9m (FY22: £7.0m). This buyback reduced the dilution impact of the LTIP issuance and the 2021 equity fund raising.

Given the extent of Free Cash Flow ('FCF') generation, we have a line-of-sight to further significant net debt reduction for FY24 and FY25.

Accounting policies

The Group's annual consolidated financial statements are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. There have been no significant changes to the Group's accounting policies during the year.

Treasury facilities

Bank finance

The Group has committed debt facilities of £569.4m with a further £18.0m of uncommitted overdrafts.

The facilities comprise £495.0m Revolving Credit Facility ('RCF'), £74.4m US Private Placement ('USPP') Notes as well as £18.0m of overdrafts.

During the year, the Group repaid £35.6m of USPP Notes and the remaining £8.2m of Schuldschein Note debt. It also reduced the RCF facility by £40.0m. We expect to reduce a further £20.0m of the RCF and repay £1.7m of USPP Notes in the calendar year 2023.

The Group's revolving credit facility is scheduled to expire on 31 January 2025. The Board is confident in the Group's ability to refinance during FY24.

Supply chain finance

The Group's supply chain finance scheme ('KEPS') was fully paid down in July 2022 (FY22: £49.8m).

Financial instruments

The Group's financial instruments mainly comprise cash and liquid investments. The Group selectively enters into derivative transactions (interest rate and currency swaps) to manage interest rate and currency risks arising from its sources of finance. The US dollar denominated USPP notes were hedged with fixed cross-currency swaps at inception to mitigate the foreign exchange risk. One non-recourse, project-specific, property joint venture loan is hedged using an interest rate derivative to fix the cost of borrowing.

There are minor foreign currency risks arising from the Group's operations both in the UK and through its limited number of international activities. Currency exposure to international assets is hedged through inter-company balances and borrowings, so that assets denominated in foreign currencies are matched, as far as possible, by liabilities. Where exposures to currency fluctuations are identified, forward exchange contracts are completed to buy and sell foreign currency.

The Group does not enter into speculative transactions.

Going concern

The Directors are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least twelve months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing these financial statements.

Further information on this assessment is detailed in note 1 of the consolidated financial statements on pages 171 and 172.

Viability statement

The UK Corporate Governance Code requires the Board to explain how it has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate.

Assessment period

Consistent with the practice of previous years, the Board has assessed the prospects of the Group over a period of three years from 30 June 2023, taking account of its current position and the potential impact of the Group's principal risks and uncertainties (the 'PRUs') which is set out in this Annual Report and certain other risks referred to below. The Board has identified a three-year period as being a period over which it believes it is able to forecast the Group's performance with reasonable certainty, principally because:

- The Group's internal forecasting covers a three-year period;
- The tender process and delivery programme for a number of the Group's projects can, together, take a period of up to approximately three years; and
- The visibility of the Group's secured work and bidding opportunities can reasonably be assessed over a three-year period.

Within the assessment period, the Group's revolving credit facility is scheduled to expire (January 2025). Working with lenders and its advisors, the Board is confident in the Group's ability to access a number of available funding markets to achieve an appropriate capital structure to support the Group's strategic objectives; and would expect to complete a refinancing in the current financial year.

Assessment process

The work required to support the viability statement was undertaken by management, with the following being a summary of the key elements of the assessment process:

- The model used as the basis of the assessment included a number of key assumptions (please see 'Key assumptions') and was subject to stress-testing (please see 'Stress-testing')
- The process considered the Group's current performance and future prospects, strategy, the PRUs and the mitigation of the PRUs
- The process included a review of certain other risks relating to the Group, including macroeconomic and political risks affecting the UK (and global) economy, and risks relating to the Group's trading, the Group's pensions, the availability of the Group's finance facilities, systemic margin erosion, the execution of the Group's strategy, the supply chain, inflationary impacts and certain project specific risks.

Key assumptions

The key assumptions within the model used to support the viability statement include:

- No material changes to Group operations, including no material acquisitions or disposals
- The Group maintains its position as one of the leading providers of construction and infrastructure services to Government and regulated entities
- The Group's revolving credit facility is re-financed
- The Group operates within its financial covenants under its principal debt facilities during the review period
- The Group's other facilities are repaid on their respective maturity dates during the review period
- The Group makes payments to the pension schemes in line with the deficit recovery plan.

Stress-testing

Management assessed the financial impact of a number of severe but plausible downside scenarios (both individually and in combination) by overlaying them against the three-year business plan. These scenarios included:

- An adverse impact on the Group's forecasts, including a lower than forecast volume, an erosion of forecast margins and a reduction in the win rate of any revenue which is to be obtained
- A certain level of loss-making contracts having an impact on the Group's reported profit and cash over the review period
- The application of certain, additional macroeconomic factors which may impact the Group, including increases in inflation and a rise in interest rates.

Management also considered offsetting mitigating actions that could be taken in such a scenario. In addition, management have concluded that any adverse financial impacts from changes to operations regarding ESG initiatives would be offset by opportunities which present the Group with additional volumes and profits over the period of assessment.

Viability statement

The Board therefore has a reasonable expectation that the Group has adequate resources to continue to operate and to meet its liabilities as they fall due across the three-year review period.

Simon Kesterton
Chief Financial Officer

13 September 2023

Section 172 statement

The Board recognises the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision making. We see stakeholder engagement as key to the delivery of our purpose and strategy and therefore our long-term sustainable success. Although there are often competing interests and priorities involved, having an understanding of what matters to our stakeholders allows the Board to consider a wide range of factors.

During the year, the Directors believe that they have acted to promote the long-term success of the Group as set out in section 172(1) (a) to (f) of the Companies Act 2006.

Matters considered by the Board

Below are examples of decisions taken by the Board during the year and how stakeholder views and inputs, as well as other section 172 (1) considerations were considered.

S.172 factors

Consequences of decisions in the long term	Interests of the Company's employees	Foster the Company's business relationships with suppliers, customers and others	Impact of operations on communities and the environment	High standards of business conduct	Acting fairly between members
Pages 16–19 Our business model	**Pages 16–19** Our business model	**Pages 16–19** Our business model	**Pages 16–19** Our business model	**Pages 16–19** Our business model	**Pages 70–73** Our stakeholders
Pages 20–23 Our strategy	**Pages 42–61** Building for a Sustainable World	**Pages 32–39** Our marketplace	**Pages 42–61** Building for a Sustainable World	**Pages 42–61** Building for a Sustainable World	**Pages 154–156** Directors' report
Pages 32–39 Our marketplace	**Pages 70–73** Our stakeholders	**Pages 42–61** Building for a Sustainable World	**Pages 62–69** TCFD report	**Pages 74–83** How we manage risk	
Pages 42–61 Building for a Sustainable World	**Pages 74–83** How we manage risk	**Pages 70–73** Our stakeholders	**Pages 112–115** Environmental, Social and Governance Committee report	**Pages 92–153** Corporate Governance report	
Pages 62–69 TCFD report	**Pages 120–153** Directors' Remuneration report	**Pages 74–83** How we manage risk			
Pages 70–73 Our stakeholders					
Pages 74–83 How we manage risk					
Pages 120–153 Directors' Remuneration report					

Non-financial and sustainability information statement

The information below summarises how we comply with non-financial performance and sustainability reporting requirements and is produced to comply with sections 414CA and 414CB of the Companies Act 2006.

Reporting requirements	Kier policy/standards[1]	Read more
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy (including Gifts and Hospitality)	Page 101
Employees	Code of Conduct Equality, Diversity and Inclusion Policy Kier recognises that diversity is an asset to its business. Kier wants a truly inclusive organisation where our people can bring their whole selves to work and does not discriminate on the basis of 'protected characteristics', which include gender, disability, race, colour, nationality, ethnic or national origin, sexual orientation, gender reassignment, religion or belief, marital status or civil partner status, age and pregnancy and maternity. The Equality, Diversity and Inclusion Policy applies to the treatment of visitors, clients, customers and suppliers by Kier employees and workers and the treatment of employees and workers by third parties. The policy sets out Kier's commitments to help achieve the policy aims. Health, Safety and Wellbeing Policy Whistleblowing Policy	Pages 54–58 and 101
Environmental matters	Sustainability Policy	Pages 42–52
Human rights	Code of Conduct Anti-Slavery and Human Trafficking Policy Data Protection Policy	Pages 14, 17 and 59
Social matters	Sustainability Policy	Pages 42–61
Business model	Description of the Group's business model	Pages 16–19
Non-financial KPIs	Description of the non-financial key performance indicators relevant to the Group's business.	Page 41
Principal risks	Description of the principal risks relating to the matters set out in section 414CB(1) of the Companies Act 2006 arising in relation to the Group's operations, and how those principal risks are managed.	Pages 74–83

1. All Kier Group policies are available on the Company's website, except for the Equality, Diversity and Inclusion Policy, which is not published externally but is available to employees through the Kier intranet.

Implementation of policies

Online training on key policies is carried out across the Group and is refreshed biennially. The training modules include scenarios and tests to enhance the understanding of, and compliance with, the policies by all employees.

All employees, contractors and third parties are encouraged to report any circumstances where there is a suspected or actual breach of any of the policies, applicable laws, or the standards as set out in the Code of Conduct, either through their managers, the confidential 'Speak-Up' helpline (which is run by an independent company, Safecall) or directly to the Corporate Compliance team. Further information on whistleblowing can be found on page 101. Kier views infringements of the policies, procedures and related guidance seriously and reserves the right to take disciplinary action in the event of non-compliance. All reported incidences of actual or suspected breach of any of the policies are promptly and thoroughly investigated.

The Executive Committee receive assurance via twice-yearly divisional and functional management statements confirming the extent to which employees have been provided access to our corporate policies, that appropriate training has been undertaken as required and that there are no unreported breaches.

The Board and the Risk Management and Audit Committee receive regular compliance updates from the Group Legal and Compliance Director.

Climate-related financial disclosures

For information on climate-related financial disclosures, please see the TCFD report on pages 62–69.

This Strategic report on pages 1–91 (inclusive) was approved by the Board and signed on its behalf by:

Andrew Davies
Chief Executive
13 September 2023

Simon Kesterton
Chief Financial Officer