

CORPORATE RESPONSIBILITY

By maintaining our core values and remaining focused on improvement and delivery, our vision is to be the most highly respected Group in the industry. Our positive approach to corporate responsibility (CR) and our commitment to address sustainability through a responsible approach to economic, environmental and social issues will ensure that our vision becomes reality.



Most of our school-building activities around the country feature Kier staff engaging with the teachers and pupils to contribute to the educational process. Here Moss Construction sponsored art students at Chosen Hill School, Gloucester, to paint the hoardings around the site.

Our vision is to be the most highly respected Group in the industry. This means we aspire to gain the highest respect of all our investors, clients, employees, supply chain partners and peers as well as the public at large for the quality of our service, the integrity of our business practices and our ethical and sustainable approach to economic, environmental and social issues. We are committed to delivering that vision.

To do so, we concentrate on our people: their health, welfare, safety, training and development. We also take seriously our approach to business ethics, including corporate governance, compliance with competition legislation, fraud awareness and other policies reinforced by a robust whistleblowing process. Accredited environmental management systems and processes remain a core part of our approach to sustainability including recycling, waste and energy-saving initiatives and biodiversity. Ensuring good, positive community relations is a fundamental part of how we deliver our business. To this end, our central disciplines have increasingly worked together and with our businesses to help deliver our vision.

This financial year has been characterised by considerable efforts by all businesses in the Group to put into practice the objectives of the Group Strategy for Sustainability policy that was launched in the summer of 2007. At the same time, we have made considerable inroads into coordinating our processes and measurement criteria to enable the Group to report consistently on CR issues.

Third-party organisations and benchmarks

In the context of reporting, the Group has worked closely with several highly respected organisations that will help us to measure, benchmark, monitor and establish targets for improvement in all aspects of CR. From 1 July 2007 the Group became a corporate member of Business in the Community (BITC), having piloted the scheme for nearly a year through Moss Construction, and we began work on benchmarking responsible business practice through the BITC Corporate Responsibility Index. From 1 January 2008 the Group became an Associate Member of the Considerate Constructors Scheme (CCS), whose third-party auditing and reporting we now use as benchmarks throughout the Group.

We have also engaged in dialogue with Ethical Investment Research Services (EIRIS) Limited to seek advice and guidance on meeting the criteria for potential listing in the FTSE4Good Index, possibly in 2009.

Similarly, we are preparing for the Carbon Reduction Commitment (CRC), the new legally binding climate change and energy-saving scheme that is a central part of the UK's strategy for acting to reduce our carbon footprint and deliver ambitious emission reduction targets set out in the Climate Change Bill. The CRC scheme begins to operate in April 2010 but requires action in 2009.



Business in the

Community

Kier Group became a corporate member of Business in the Community on 1 July 2007 and an Associate Member of the Considerate Constructors Scheme on 1 January 2008.

CORPORATE RESPONSIBILITY CONTINUED



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see more online:
www.kier.co.uk/responsibility

Business in the Community and Corporate Responsibility

Having become a corporate member of BITC in July 2007, the Group has worked closely with the organisation to participate in the BITC Corporate Responsibility (CR) Index. We have been working with the BITC secretariat on completing a trial index assessment to identify the Group's current reporting capabilities and to address strengths and weaknesses in our processes. Once this exercise is completed, we intend to submit a full survey for the public BITC CR Index 2008 this autumn.

The BITC CR Index assesses corporate strategy, including corporate values, advocacy, risk management and business conduct, and management systems for community, environment, marketplace and workplace. It assesses our approach to climate change, waste and resource management and biodiversity. It also reviews health, safety and wellbeing, employee development,

employing migrant workers, and community investment. The completion of this comprehensive survey will become the basis for our future CR reporting criteria.

In the meantime, BITC has continued to work closely with several of our businesses. Moss Construction, which piloted membership of the scheme in 2007, continued to work with BITC locally to further develop its own corporate responsibility policy and this year evolved a formal policy under the banner of 'Connecting – people, environment, communities'. This has now become a model framework which is intended to be launched across all Kier Regional businesses. They continue to engage widely with communities wherever their work takes them.

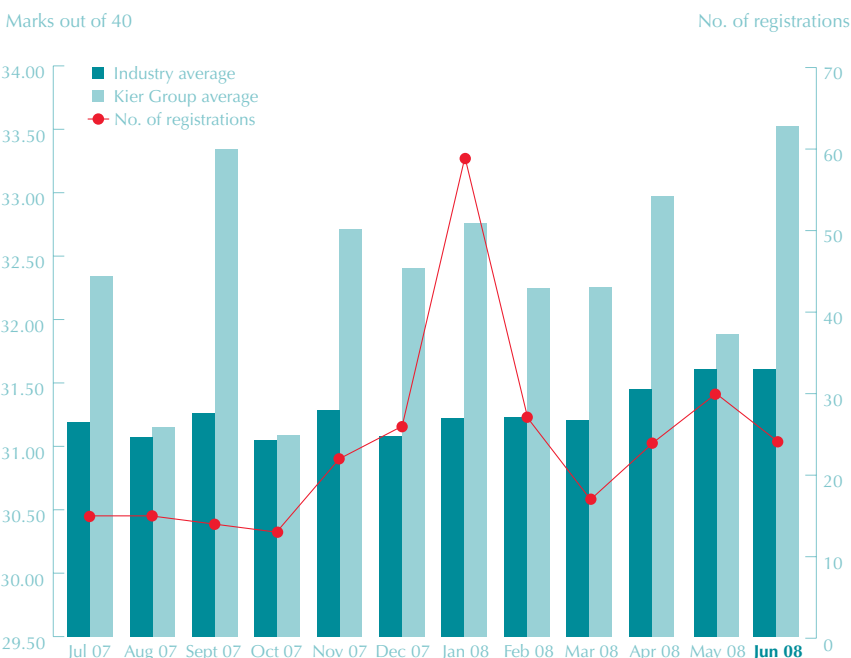
Kier Sheffield LLP was awarded a Big Tick Award for employability by BITC Yorkshire & Humberside for the second successive year in 2008 and once again participated in the BITC Yorkshire & Humberside Environmental Index, improving its score for the fourth consecutive year and maintaining its position in the silver sector of the Index league table, which is an excellent achievement. Kier Building Services Engineers also worked with BITC and the children's charity Kids Club in the London Borough of Hackney, while Kier Build is involved in the Business Action Group coordinated by BITC in the delivery of the vast 67-acre brownfield site being developed by Argent at King's Cross.

Once again our Group training & development department used BITC to help deliver the Group's executive leadership programme, sourcing three projects for nine senior managers/directors on the programme to work on community engagement activities.

Considerate Constructors Scheme: community, safety, environment

From 1 January 2008 the Group became an Associate Member of the Considerate Constructors Scheme and from that date it became mandatory for every eligible Kier site or project to be registered with the scheme and to be assessed under its Code of Considerate Practice. This nationwide scheme and its associated code have been identified by the

CONSIDERATE CONSTRUCTORS SCHEME





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Group as a vital tool in improving our reputation, image and, above all, health, safety, welfare and environmental performance. It has all the ingredients and mechanisms necessary for us to monitor, benchmark and improve our performance at site and project level through third-party assessment across a broad range of issues under eight distinct categories:

- Considerate
- Environment
- Cleanliness
- Good neighbour
- Respectful
- Safe
- Responsible
- Accountable

Under these headings, the scheme's third-party, independent auditors assess a project, giving each category a score up to five (the best score) and a full project score up to 40. In this way, we have been able to monitor, on a monthly basis, not only individual project performances, but also those of each operating company and division and, in turn, the Group performance against the national industry average. It has therefore allowed us to identify any areas for improvement under the reporting categories outlined above, the type of project, or a geographical location. More importantly, it has enabled us to demonstrate and share best practice within the Group and to set achievable targets for every project and company to aim for.

The full-year statistics demonstrate that the Group has consistently performed above the industry average every single month in the past reporting year, completing the final month of the year on an average score of 33.6 against the national industry average of 31.6.

It is important to consistently achieve above the industry average and, despite the Group's diversity, we have successfully out-performed the industry average every month in the year. We use these statistics as an internal benchmark against the overall industry average in order to promote improvement for our own operations.

As part of this exercise, we have begun publishing a quarterly Considerate Constructors Scheme performance review as an internal auditing document to help our project teams improve their performance.

Environmental management

During the year, the safety, health & environment (SHE) department further developed its structure of regional environmental managers. This included appointing a sustainability manager for the Group Construction division with responsibility for coordinating and implementing the Group's sustainability strategy and coordinating our environmental management system, which has ISO14001 certification. This provides the framework, externally audited by BSI and other bodies, against which we benchmark our environmental performance.

As part of the implementation of this sustainability strategy, the Group has been active in promoting the environmental aspects of our CR policy, through both the individual businesses, and various Group forums. In November 2007, we held a Kier Group carbon footprint seminar covering the role of design in achieving zero-carbon and low-carbon development, the Code for Sustainable Homes, client demands on carbon footprint for the retail sector and on carbon footprint and the property/commercial sectors.

As a result of these debates and seminars, several new initiatives have been developed. The first is the Carbon Footprint Reduction Initiative. This requires businesses across the Group to monitor the energy they use and put in place measures to reduce energy consumption. The aim is to reduce our carbon footprint by 10% over the next 12 months. Supported by a poster campaign and a monitoring proforma issued to all businesses, this initiative is being rolled out in the autumn of 2008.

Kier Group was well prepared for the introduction of the Site Waste Management Plan regulations that came into effect in 2008. We engaged BRE to produce a bespoke version of their web-based SMARTwaste Plan, which has been adopted by all Kier Group businesses.



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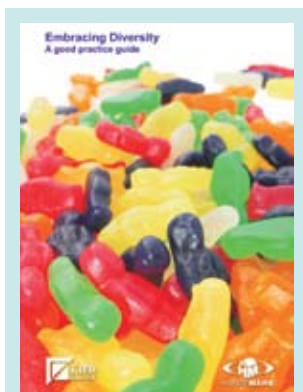
1 Cathy Jamieson, MSP for Carrick, Cumnock and the Doon Valley, presented a safety award to Kier Mining staff and operatives at the Greenburn surface mine near New Cumnock to mark the achievement of five years of operation at the site without any reportable accidents. Receiving the award is Harry Simpson, works manager at Greenburn.

2 Basil Paske of Kier Western explains the construction drawings to a visitor on a site visit at the Torre Abbey refurbishment project, near Exeter.

3 Kier Dubai LLC has set a significant new record for the region by achieving 5,000,000 man-hours without a lost-time accident – representing almost two years of accident-free working. In recognition of this milestone, an award was presented to Kier Dubai general manager Shree Kulkarni by Kier Construction general manager Andrew Keir.



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Embracing Diversity

Kier Building Maintenance has worked with performance improvement experts HouseMark to produce a guide showing how a variety of social landlords and maintenance providers have found practical ways of addressing diversity, such as:

- meeting the needs of their diverse customer base to provide an excellent and accessible service
- embedding the values of diversity in their workforce
- ensuring that the composition of their repairs and maintenance workforce reflects the communities they work for.

The guide demonstrates that additional funding and dedicated resources are not always necessary to provide opportunities and a sensitive, responsive and accessible service.

An electronic copy in pdf format can be downloaded from the Kier website.

Using SMARTwaste Plan has ensured a uniform approach to managing construction waste and provided a source of reliable data. The plans are being used not only to demonstrate legal compliance, but also to identify opportunities to reduce waste. These will then be implemented Group-wide.

Kier Regional is currently supporting a Construction Industry Research and Information Association (CIRIA) project to develop an environmental training resource pack based on its successful publication C502 Environmental Good Practice on Site. This training pack comprises a series of presentations together with detailed guidance notes and case studies covering a variety of environmental issues, which can be delivered individually or combined to produce a more comprehensive training session. CIRIA will launch this innovative training resource, which should prove invaluable to the construction industry, towards the end of 2008.

Regionally, all Group businesses have been engaged with a variety of bodies and local initiatives that are collated at the centre to share best practice throughout the organisation. For example, protecting and enhancing a site's biodiversity is one of the aims of the Group strategy for sustainability and is a highly visible means of demonstrating our commitment to sustainable development. Marriott Construction recently undertook to protect the wildlife on its EDS project, resulting in their project manager addressing the Construction Industry Environmental Forum's seminar on putting biodiversity into sustainable construction. Likewise, Kier Eastern's Norwich Schools projects have involved providing bat bricks in the new school building, supplying bat boxes for the children to build, for placing in trees within the school

grounds, and building bug boxes and compost bins amongst other activities. Moss Construction continues to gain national awards (18 to date) for its environmental flagship building of the National Trust headquarters in Swindon.

Amongst others, Kier South East, Kier Eastern and Kier Retail have been organising a series of workshops to help key members of their respective supply chains develop their own environmental management systems. Facilitated by White Young Green Environmental and funded by the Government BREW (Business Resource Efficiency & Waste) programme, these workshops aim to provide environmental management system guidance for companies to be independently audited and then accredited through various phases to achieve BS8555, a stepping stone to the Group's own ISO14001 accreditation. Several subcontractors have now been accredited at various levels of BS8555 due to these Group initiatives.

Donations to charities

During the year ended 30 June 2008, the Group companies donated, directly and indirectly, £127,000 (2007: £109,000) to a wide variety of charities and other establishments across the UK and overseas. As in the past, we record direct Group cash donations annually (see directors' report on page 41), but within this report we are again monitoring all of our external sponsorship, including those sums raised by individuals and teams in sporting activities.

Towards the end of the year, the Board agreed to sponsor Team GB in some way for the Beijing Olympic Games. Rather than donate to the generic cause, we directly supported the Huntingdon Gymnastics Club, being local to the Group head

ENVIRONMENTAL KEY PERFORMANCE INDICATORS FOR THE CONSTRUCTION DIVISION

	Actual 2005	Actual 2006	Actual 2007	Actual 2008
Cost of waste as % of revenue	0.37	0.35	0.33	0.33
Kilogrammes of carbon emitted per square metre	82.63	74.13	49.16	65.00
Environmental training days per person per year	0.19	0.10	0.15	0.17
Prosecutions	nil	nil	nil	nil



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1 Pupils from Morelands Primary School in Hampshire, one of 16 projects by Brazier for Hampshire County Council to provide children's centres at schools across the county. The children are pictured with their winning poster designs following a safety talk by Brazier staff. Brazier director Shane Mason (right) and site manager Pat Woods (left) are pictured with the children and head teacher.

2 The Group donated £10,000 to the Huntingdon Gymnastics Club for a variety of new equipment including a new vaulting horse and safety matting. Pictured are Paul Sheffield, of Kier Group, with Louis Smith (19, who won a Bronze Medal in the pommel horse event at the Beijing Olympic Games) and Daniel Keatings, Olympic finalist, together with head coach at the club Paul Hall.

office in Sandy, and which sent four of its members to Beijing for the Games.

The key areas of Group support during the year are as follows:

KEY AREAS OF GROUP SUPPORT DURING THE YEAR

£000's	2008	2007
Education	6	3
Sport	16	27
Wider community events	41	23
Employee sponsored challenges	6	2
Direct support for needy	26	44
Other	32	10
Total	127	109

Some of the notable charities supported by Group businesses and individuals included:

- CLIC Sargent (Cancer and Leukaemia in Childhood)
- Macmillan Cancer Support
- Wildlife Trust
- Meningitis Research Foundation
- CRASH (The Construction and Property Industries' Charity for Homeless People)
- Fire Services Benevolent Fund
- Care UK
- Breast Cancer Campaign
- Race for Life
- Great Ormond Street

People development and training

The Group is committed to the lifelong development of all its employees. Our approach involves recruiting talented people into the industry and providing a career development framework that supports people from entry level to senior leadership and prepares our teams to meet and exceed our customers' requirements. Our career development framework incorporates a series of programmes, covering people at all stages of their careers.

We are committed to our Equal Opportunities policy which encourages job applications from all sectors of the community. This is demonstrated by the diversity of the people recruited.

At the introductory level of our career development programme, we recruited over 115 graduates and 100 students to start their professional careers in 2008. We offer a comprehensive and structured graduate scheme that includes technical and managerial training to recognised professional standards. This helps to motivate people in the Group to achieve their career goals, and to attract high levels of new recruits. The Group continues to work with schools, colleges, universities and careers advisors to promote the construction industry as a career choice and has over 200 people currently studying for technical qualifications on various training schemes who joined the Group as school-leavers. The Group also has over 160 craft apprentices in construction skills. Some of these apprentices have been recognised by their craft guild as outstanding tradesmen through winning various skills competitions.

Over 12% of our workforce is on new entry training programmes, and this helps us to maintain and improve the talent of our workforce. In January 2008, we entered 45 school-leavers and experienced tradesmen onto a foundation degree instigated and designed by the Group and set up with Oxford Brookes University. This is a unique foundation degree delivered through distance learning and block release centred on cutting-edge construction practices. The programme delivers learning specifically for modern contractors.

The Group actively encourages all employees to achieve full professional membership in their relevant discipline. Our graduate scheme trains employees to full membership in recognised professional institutions. We currently have over 70 professional and technical staff working towards a construction management National Vocational Qualification (NVQ). Additionally, we accredited over 55 plant operators in specialist plant NVQs at our Greenburn opencast mining site. Our technical training is based around the findings of various best practice groups and helps to disseminate knowledge around the Group, adding value for our clients.

During the last year, we have launched a site management academy aimed at our housebuilding

Sustainable procurement policy

A key component of the Group's overall sustainability strategy is having in place a robust procurement policy.

The policy's objective is to ensure that, as far as is practicable, we purchase materials and services that through their use, sourcing, or manufacture, have the smallest impact on both society and the environment.

We will look to achieve this through:

- raising awareness of the policy within the Group
- providing training and guidance to enable staff to make informed and responsible decisions when purchasing materials and services
- ensuring that our supply chain, including clients, designers, subcontractors and suppliers, are aware of this policy
- working with our supply chain to identify those products that have a harmful effect on the environment and find alternatives that are less damaging where practicable
- using, where feasible, products made from reclaimed or recycled materials
- influencing the contract specification so as to include, where relevant, a requirement for sustainable procurement
- taking into account a subcontractor/supplier's commitment to sustainable procurement when assessing their suitability as a supply chain member.

We will monitor our performance and include our findings in an annual sustainability statement. We will ensure that examples of best practice are identified and disseminated throughout our business.

CORPORATE RESPONSIBILITY CONTINUED



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1 Under the guise of Moss the Magic Dragons, a team from Moss Construction participated in a dragon boat race to raise funds for CLIC Sargent, a charity concerned with cancer and leukaemia in childhood.

2 Dumpy, a refuse collection vehicle, was converted by Kier Street Services into a recycling, re-use and waste-saving educational vehicle which is used to spread important messages on the environment to children and parents alike at a variety of locations.



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site staff. This programme has been shortlisted for the 2008 Innovation in Training awards by the National House-Building Council (NHBC).

Our aim is to develop our staff into our future management. We believe this delivers long-term continuity and success for the Group. Our management development programmes have supported us in ensuring that our future management is continually developed from within the Group.

The Group runs an executive and directors' development programme based around defined competencies providing structured development to senior management and directors. This is linked to the Group's strategy of sharing best practice around the Group. As part of the programme we have incorporated a series of voluntary community projects led by the participants to prepare them for further corporate responsibility as well as supporting their leadership skills development.

We are very proud that in 2007 Kier Group was awarded the Contract Journal award for training for the second year in succession, a fantastic endorsement by the industry of the quality of our approach to people development.

At the beginning of 2008, we implemented a Group-wide employee engagement survey to understand how our people feel about working for the Group and how we can improve engagement levels. The results reveal that our people strongly identify with the Group and we have a favourable level of highly engaged people compared with UK industry averages. We have planned improvements to enhance the engagement of our people over the next two years and intend to use the survey as a key business measure every two years.

The Group works to overcome industry challenges such as skills shortages through its work with schools, colleges and universities. We focus on customers by ensuring our workforce is fully competent and able to deliver best practice for clients. The continual investment in people is embedding a deep-rooted development culture to maintain our long-term success.

NUMBER OF EMPLOYEES REGISTERED ON COURSES OR DEVELOPMENT PROGRAMMES IN 2008

School-leavers studying for technical qualifications	200
Craft apprenticeships in construction skills	160
Foundation degree at Oxford Brookes University	45
NVQ accreditation for plant operatives	67
Construction management NVQs	70
Sponsorships/internships	102
Graduate schemes working towards professional accreditation	220
Total	864

The Group has delivered approximately 21,500 training days during the year (2007: 17,000) and 14% of our construction workforce is engaged on new entry training programmes.

Health & Safety

Group companies have in this past year diligently focused on getting back to basics to ensure we create and maintain safe sites. A strategic review of current SHE procedures is being rolled out across the Group with the aim of ensuring a simple process that is understood by both employees and supply chain members. The progress made last year on people issues has helped shape our current strategy which aims to ensure a practical safety approach that facilitates safe working processes on site.

Health & safety training has increased across the business and the Group has been instrumental in the Major Contractors' Group (MCG) development of the Construction Skills Supervisor course soon to be delivered across the industry. This benchmark course will set the standard of SHE training for construction supervisors not just in the Group but in the construction industry UK-wide.

As a Group we are embarking on a positive safety leadership campaign that is supported by the British Safety Council. This campaign will build on our current behavioural successes in Kier Support Services and our joint venture water business KMI Plus. It will challenge behaviour across the Construction division and will help all employees to examine their personal behaviour and to implement the positive actions required for an improved performance in SHE. This approach is needed

At 30 June 2008 the Kier Group AIR was 588 per 100,000 staff and subcontractors, measured against a HSE benchmark of 865. This compares with our 2007 AIR of 640 per 100,000 staff and subcontractors measured against an HSE benchmark of 946.

to ensure that the positive work that has already been delivered throughout the Group is further strengthened and developed.

Using the approach of safe and unsafe acts recognition, we will reinforce the positives and with support and education develop and promote a positive safety culture in the weaker areas. Our subcontract supply chain members will also be asked to partake in this programme and we believe this open, honest and proactive leadership programme will further enhance the positive safety culture partnerships we currently enjoy with our supply chain. More details are shown in the AIR performance chart above.

Occupational health

We have focused on a number of areas to put the 'health' back into health & safety throughout the year. We employed a specialist occupational health manager who has reviewed and streamlined the occupational health processes that were in place and we will continue to develop these processes to raise awareness both within the Group and our supply chain. One highlight of the occupational health programme has been the highly successful Men's Health Roadshow. The occupational health team, supported by nurses and consultants, visited a large number of our sites throughout the UK promoting a host of subjects including personal health issues, general health awareness, healthy eating and task-related health awareness. This proactive site-level approach to occupational health was very well received by both employees and supply chain members, raising awareness of personal health issues in a practical and understandable way.

The longer-term education focus will be to reinvigorate occupational health issues at induction and as a fundamental part of any design and safe system of work. This approach will also include a health surveillance programme to ensure that we continue to promote health awareness.

Our focus for the new year will be to continue to raise awareness of safe working and occupational health throughout the Group and our supply chain.

AIR v MANPOWER TEN-YEAR CHART



RoSPA/BSC AWARDS RECEIVED IN 2008

AWARD	2008	2007
RoSPA gold medals	12	11
RoSPA gold awards	10	9
RoSPA silver awards	1	1
RoSPA bronze awards	0	2
British Safety Council national awards	17	16

Customers

Customer care remains at the heart of our vision and core values: By providing our clients with the highest possible quality of service and through sustainable, profitable growth, our vision is to be the most highly respected Group in the industry. Our volume of repeat and negotiated business and particularly the number of partnering frameworks in which we operate clearly demonstrates our commitment to customer service, quality of service and our focus on delivering value and innovation.

The diverse nature of our business divisions enables us to enhance our customer relations and community relations across a broad spectrum from business-to-business on one hand to direct consumer relations on the other. The Support Services division is not only focused upon the local authority clients, but especially upon the residents and tenants in whose homes we are working for repairs, maintenance, refurbishment and upgrading. Similarly, our Homes division delivering private homes and Kier Partnership Homes working on affordable housing have particular obligations to customer care and after-sales service.

In the context of both construction and support services, our adoption of the Considerate Constructors Scheme and our becoming an Associate Member of the scheme signals a further commitment by us to assume measurable responsibilities towards our customers, the communities in which we work and the environment impacted by that work.

We constantly monitor and report every quarter through our Kier Regional key performance indicator reports on customer satisfaction levels based upon feedback on their perception of us measured on points up to a maximum of 9.0. It resulted in Kier Regional achieving an overall figure of 8.6 against a target set at 8.0 for the year.