Kier Group plc Corporate Responsibility Report 2018

REVEALING
HIDDEN
VALUE
Kier invests in, builds and maintains the UK's essential assets. We operate across a wide range of sectors, including bioscience, education, health, highways, housing, power and energy, property, transport and utilities. Our market-leading positions in Infrastructure Services, Buildings and Developments & Housing allow us to capitalise on a number of opportunities in these growing markets.
We are making good progress on delivering our strategy for a sustainable business – Responsible Business, Positive Outcomes (RBPO). This supports Vision 2020, our strategy for growth, and helps to create value for Kier stakeholders and wider society.

In this year’s report we begin to quantify the social and economic benefits that arise from the way we choose to do business, and how our market-leading positions facilitate the positive impacts we have in the communities we serve. Being a responsible business is critical to our success – by doing things such as choosing local supply chain partners, investing in training, improving our diversity, reducing our negative environmental impacts or taking care of the health and wellbeing of our employees and supply chain partners we:

› Meet the needs and expectations of our customers;
› Create economic benefit for local marketplaces;
› Increase the knowledge capital, quality of delivery and efficiency at Kier and with our partner organisations;
› Create stronger and more collaborative supply chain partnerships and resilient teams; and
› Leave a positive legacy in the communities where we operate.

These are all elements of the hidden value we create for our stakeholders and that contribute to the Kier Effect.

Kier delivers the economic and social infrastructure that is vital to the growth of both the UK and our regions. We are committed to long-term development of our business in the UK through our three market-leading positions.

**INFRASTRUCTURE SERVICES**
Top three infrastructure player in the UK with a number one position in UK strategic highways

Revenue

**£2bn**

Turn to pages 12-13 for more information

**BUILDINGS**
The UK’s leading regional builder with key positions in education, health and on numerous frameworks

Revenue

**£2bn**

Turn to pages 14-15 for more information

**DEVELOPMENTS & HOUSING**
A top three provider of affordable housing and related maintenance services. Top property trader and developer

Revenue

**£1bn**

Turn to pages 16-17 for more information
In the last year we have seen continuing development in several key areas that enables Kier to remain a resilient business and meet the evolving needs of our customers in the sectors in which we operate, and wider societal needs:

› The increasing requirement from the public sector clients for its suppliers to deliver ever more positive social impact and we have published our new social impact strategy – Shaping Our Communities;
› The increased reporting requirements around gender pay gap and payment terms for our supply chain partners and we have now published the Kier Group performance on these matters; and
› Increased focus on modern slavery and the progress we’ve made in ensuring we routinely address this when working with suppliers and subcontractors.

We also provide detailed information on our performance on pages 10-11, which shows we continue to make good progress against the 20 performance areas, including:

› Accident incidence rate (AIR) – an industry-leading reduction to an all-time low for Kier of 96;
› The successful launch of our long-term energy efficiency plan, which will reduce our contribution to climate change, and save Kier on operational costs;
› The launch of our new health and wellbeing strategy;
› Successfully choosing the British Heart Foundation as our new corporate charity partner;
› Reaching some 15,000 young people with advice on careers in construction and the built environment through our Shaping Your World campaign; and
› Achieving an increased score of 93% in the Business in the Community (BITC) Corporate Responsibility Index, which we use to benchmark our performance.

Across our market-leading positions, we undertake projects that deliver significant social, economic and environmental improvements. However, there are also large social, economic and environmental benefits arising from the way we choose to do business.

“WE UNDERTAKE PROJECTS THAT DELIVER SIGNIFICANT SOCIAL, ECONOMIC AND ENVIRONMENTAL IMPROVEMENTS”
Shaping Our Communities

Social impact refers to wider financial and non-financial impacts of projects, interventions and organisations, including the wellbeing of individuals and communities, social capital and the environment. The methods to quantifying social impact, or social value as it is often called, are still being refined. The Kier social impact strategy – Shaping Our Communities – creates a framework to report and improve on the positive outcomes delivered by our projects (see left).

Work with an independent adviser, Social Value Business, indicates the Group is significantly underestimating the benefits arising from the projects and services we deliver. This so-called ‘hidden value’ will be a focus area for the current financial year. We undertook a detailed study of ten projects equivalent to 13% of our total revenue. This revealed in more detail the positive impact recorded in charitable giving, donation of time and expertise, and supporting training and apprenticeships. It also showed the significant positive impact Kier has through its regional office model and using locally based supply chain partners. More detail is given on pages 4-7, and in the summaries of our market-leading positions on pages 12-17. Kier will be publishing further information on this study during the year.

People who work at Kier often talk about the Kier Effect when we refer to the extra benefits that arise when we undertake projects. The Kier Effect results from the way we choose to do business and the goodwill and commitment of our employees. Kier supports The Kier Foundation, an independent charity, to help our employees in supporting good causes through matched monies in fundraising, and the recognition of a corporate charity partner, chosen based on the views of employees. We are delighted to announce a new partnership from July 2018 with the British Heart Foundation and express our thanks to our previous partner the Alzheimer’s Society, for which our employees and business raised £426,000.

In this report we aim to illustrate some of the ways in which we create the Kier Effect and how they are relevant to the stakeholders in our market-leading positions. The Kier Effect is driven by our business model, which is explained on pages 8-9.

Claudio Veritiero
Chief Operating Officer
19 September 2018
Since Kier launched its strategy for sustainable business in 2014, an increasing focus has been placed on our business to demonstrate how we create wider ‘social’ value for our stakeholders, including customers, investors, shareholders, good causes, employees, suppliers, subcontractors, civil society and the communities in which we work.

In this supplement we begin to explain why the way Kier does business enhances our contribution to society. Social value is a rapidly developing subject area and we will provide a further update later in the year.

What is social value?
There is no standard definition of social value. At Kier we think social value is the sum of community benefit, local economic benefit and environmental footprint – or more simply, our contribution to society. When we add in other elements – such as returns to our shareholders; and providing and sustaining employment for our employees and supply chain partners; and the return to the UK exchequer in the form of taxes – we begin to form a picture of the total value Kier creates. This is explored in the diagram on page 5.

Methods of measuring social value are continuing to develop. The term ‘value’ is generally associated with finance and can be quantified in monetary terms. The contribution of a project or organisation to society can also be quantified. However, this is more complex as there is a range of direct, indirect and induced benefits that arise from Kier and our supply chain relationships. This complexity makes measurement a challenge.

There are two main ways in which Kier delivers social value: the markets in which we choose to operate and the way we choose to do business.

Typically, reporting on social value focuses on how businesses operate. It is not normal practice to report the benefits of the infrastructure or service itself as this is a benefit that typically will be attributed to the customer who has commissioned the project. However, the type of projects and services a business undertakes profoundly impacts on the social value of our business. In our three market-leading positions Kier deliberately focuses on projects that create socially and economically important infrastructure while respecting the environment. More information is provided on pages 12-17 of this report.

Drivers for social value
Driven by legislation and Government policy, social value delivery is an increasing requirement in the markets where Kier chooses to operate. The introduction of the Social Value Act 2012 has led towards social and ethical criteria being included in public procurement. Other Government legislation and strategies support this (Procurement Reform (Scotland) Act, Securing Future Generations Act, Industrial Strategy, Construction Deal, Civil Society Strategy and Localism Act).

The Cabinet Office has mandated that 33% of central government procurement spend should go to SMEs by 2022. If this isn’t achieved then companies could be stopped from tendering for a period of up to three years. The Minister has stated that it is the Government’s intent “to award contracts based on social value, rather than just value for money”.

The Government noted that Kier is taking a leading role in the measurement and promotion of social value when it launched the Social Value Act.
Measuring our social value

Kier has been reporting on social impact as part of its RBPO strategy for four years and is working towards a target for social value generated to be equivalent to 10% of total revenue by 2020. Across our businesses we use our Shaping our Communities Calculator (SoCC) to measure our impacts. This looks at five key areas and relies on conversion factors recognised by Government to be able to estimate the impact of our activities and express these in a monetary format (see page 20).

This year we have worked with experts, Social Value Business, to review how we measure and report social value. Social Value Business undertook a detailed analysis of a representative sample of 10 projects from across our three market-leading positions. The projects were equivalent to approximately 13% (£603m) of Group revenue for the year, across all regions and a range of contract values from £5m to £400m. The results were surprising: our own records had recorded around £25m of social value from the 10 projects. The detailed analysis identified additional unrecorded activity which translated into £300m of hidden social value.

How we create value

The markets Kier chooses to operate in involve projects that deliver significant social, economic and environmental benefits.

Market-leading positions

- **INFRASTRUCTURE SERVICES**
  - Revenue: c.£2bn
- **BUILDINGS**
  - Revenue: c.£2bn
- **DEVELOPMENTS & HOUSING**
  - Revenue: c.£1bn

The way Kier chooses to do business through our regional businesses increases the socio-economic benefits.

<table>
<thead>
<tr>
<th>Value to stakeholders</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>£4.5bn</strong></td>
</tr>
<tr>
<td><strong>Supply chain</strong></td>
<td><strong>SMEs</strong></td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td><strong>18,000</strong></td>
</tr>
<tr>
<td><strong>Progressive dividend</strong></td>
<td><strong>69.0p</strong></td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td><strong>£18m</strong></td>
</tr>
<tr>
<td><strong>Customer satisfaction</strong></td>
<td><strong>90%</strong></td>
</tr>
<tr>
<td><strong>Community – social value</strong></td>
<td><strong>£157m</strong></td>
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</tbody>
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There is a complex cascade of benefits that arise through the supply chain and local economy. This simple summary only identifies the direct benefits, not the indirect and induced impacts.
ENHANCING SOCIAL VALUE

How Kier creates social value on projects

One of the key reasons Kier delivers high social value from our operations is our model of regional offices and local supply chain. Currently, 61% of Kier total subcontractor spend is with SMEs, far exceeding the Government’s procurement guidance level of 33% by 2020. This network of local SMEs enhances the benefits to the local economy and communities. Using local supply chains means that money stays in the locality and is recirculated. This recirculation of money means that a multiplier effect occurs so that the value of every pound is magnified. This, coupled with our interventions on community projects, charitable giving or providing jobs and skills opportunities, add up to the way we create value through the projects we deliver.

Kier has highly skilled and innovative teams who choose to deliver projects in a way that enhances value to all stakeholders. We call this the Kier Effect. These pages illustrate a selection of projects from our regional businesses that were examined by Social Value Business to begin to reveal their hidden value. We will publish more on this during the year.

1  Project Capella

PROJECT VALUE: £85m
ADDITIONAL HIDDEN VALUE: £80m

A new research facility at the University of Cambridge. This project involved collaboratively working with the University to design an outstanding building with lean construction involving innovative off-site fabrication. The project spent £66m in the supply chain, £30m in the local area. Social Value Business calculated this delivers an economic benefit of £80m. The project also spent £500k on creating three pieces of artwork as a community legacy.

2  Liverpool Park Life II

PROJECT VALUE: £18m
ADDITIONAL HIDDEN VALUE: £40m

This project will bring regeneration and new sports facilities to sites in Liverpool that are in the top 20% of most deprived areas. Total spend with local SMEs was £15m which results in £40m of local economic benefit. Additionally there are a range of community benefits being achieved through partnerships with homelessness charities and young people. Increasing employability through these schemes will have a benefit in the local community.
The Cathedral School project was a challenging scheme because of being Grade 2 Listed and in the centre of Bristol. Other contractors were reluctant to consider the job because of these factors, and the high levels of innovation to achieve delivery. The scheme had recorded a donation of £324 to local projects but our gap analysis revealed another £15,000 of community input. A further £3m of local supply chain spend was also uncovered.
### BUILT TO DELIVER SUSTAINABLE VALUE

#### Our Vision & Strategy

The Kier vision is to be a world-class, customer-focused company that invests in, builds, maintains and renews the places where we live, work and play.

Our Vision 2020 strategy has been consistent since its creation in 2014 and is as follows:

- Never compromise anyone’s safety, health or wellbeing.
- Increase visibility of our income streams by increasing the proportion of revenues from services and framework contracts. This strengthens our order book and gives the Group resilience.
- Provide built environment assets for clients in public and regulated sectors, and selectively for private sector clients. Our aim is to deliver exceptional customer experience, so that clients choose to give us repeat business and buy additional services.
- Focus on investing in, building and maintaining assets for which there are fundamental demand drivers, such as demographics and technological developments.
- Aim to be top 3 in our chosen markets; this being an outcome of providing reliable, good quality, customer-focused service delivery.
- Improve our long-term profitability by investing in the effectiveness of our systems and processes and developing our people.

This strategy is delivered through a focus on our six strategic priorities. See pages 28-29 of the Kier Group Annual Report 2018.

#### Delivering value to stakeholders

<table>
<thead>
<tr>
<th>Employees</th>
<th>Engaged people</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>60% engagement</td>
</tr>
<tr>
<td></td>
<td>89% retention rate</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Supply chain</th>
<th>Kier is a reliable partner to its supply chain</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>More than 60% of spend with small and medium-sized enterprises (SMEs), exceeding the Government target of 33%</td>
</tr>
<tr>
<td></td>
<td>More than 80% of supply chain are local SMEs</td>
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<table>
<thead>
<tr>
<th>Clients</th>
<th>Delivering for clients and their customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>More than 70% of revenue from repeat and multi-service clients</td>
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<table>
<thead>
<tr>
<th>Communities</th>
<th>Kier adds value to the community and society</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Our network of regional offices supports local projects with benefits for communities and economies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investors</th>
<th>Creating sustainable earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16% average annual growth in underlying operating profit since 2014</td>
</tr>
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</table>
**Capital allocation model**
Kier has an efficient capital allocation model in which we generate cash from our contracting business and invest that cash for an additional return in the Property and Residential businesses, predominantly through leveraged joint ventures. During the year, investment in these businesses has been stabilised.

**The Kier stakeholders ecosystem**
Our success depends upon each of these stakeholders playing a role in the Kier business model and benefiting from that participation beyond just transactional payments. This ecosystem includes both those with whom we contract, such as clients and subcontractors, and others, such as our clients’ customers, who are directly affected by how our services our delivered.
## GROUP PERFORMANCE

### Performance summary

This table provides a summary of performance against the non-financial indicators in RBPO – the Kier Group strategy for a sustainable business. It signposts to further information in this report and the Kier Group Annual Report 2018.

The Kier Group website has further detail and case studies available: [www.kier.co.uk/corporateresponsibility](http://www.kier.co.uk/corporateresponsibility)

### Key to relevant strategic priorities:
- 
- 
- 
- 

### Our 20 performance areas

<table>
<thead>
<tr>
<th>Governance</th>
<th>2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business ethics</td>
<td>Train employees on the Code of Conduct</td>
</tr>
<tr>
<td>Governance – risk and opportunity</td>
<td>Quantify risk across non-financial measures</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>Annual independent review by BITC</td>
</tr>
<tr>
<td>Reward scheme</td>
<td>Incorporate non-financial measures in remuneration</td>
</tr>
<tr>
<td>Governance – reporting and assurance</td>
<td>Integrated reporting to GRI Standards</td>
</tr>
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<table>
<thead>
<tr>
<th>People and communities</th>
<th>2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety, health and wellbeing</td>
<td>Zero accident incidence rate (AIR)</td>
</tr>
<tr>
<td>Diversity</td>
<td>70:30 male:female ratio for graduate, trainee and apprentice recruits</td>
</tr>
<tr>
<td>Engagement and retention</td>
<td>75% employee engagement</td>
</tr>
<tr>
<td>Training, education and apprenticeships</td>
<td>Five training days per employee</td>
</tr>
<tr>
<td>Society and community</td>
<td>10% additional social value created</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Marketplace</th>
<th>2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer experience</td>
<td>90% customer satisfaction</td>
</tr>
<tr>
<td>Citizenship and community engagement</td>
<td>Introduce the Kier Code of Sustainable Business</td>
</tr>
<tr>
<td>Sustainable supply chain</td>
<td>Revised target</td>
</tr>
<tr>
<td>Labour standards and human rights</td>
<td>Meet core principles of UN Declaration of Human Rights</td>
</tr>
<tr>
<td>Supply chain</td>
<td>100% compliance with Kier material standards</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Environment</th>
<th>2020 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon</td>
<td>Reduce energy use by 30% by 2030</td>
</tr>
<tr>
<td>Waste</td>
<td>30% relative reduction from 2014 baseline</td>
</tr>
<tr>
<td>Water</td>
<td>10% reduction from 2015 baseline</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Report number of submissions</td>
</tr>
<tr>
<td>Environmental incidents</td>
<td>20% reduction per annum from 2015 baseline</td>
</tr>
</tbody>
</table>
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Progress

Governance

- Code of Conduct training mandatory requirement of the induction for new starters. Continued training across the Group – more than 8,100 employees trained.
- Projections of the relative cost or impact of risks are now a clear element of Kier processes.
- Achieved a score of 93% in the BITC CR Index this year (2017: 91%).
- Remuneration policy revised and introduced. This now includes non-financial performance measures.
- Since 2012, Kier has structured its corporate responsibility report in accordance with GRI Standards. A summary is available on our website:
  www.kier.co.uk/corporateresponsibility

People and communities

- AIR reduced by 26% from 130 to 96. Our Group all accident incident rate (AAIR) reduced by 20% to 392 (2017: 492). UK reportable accidents reduced from 57 to 42^.
- We tripled the number of graduate offers to female applicants. Despite this, it was disappointing that graduate gender statistics fell to 22% female, 78% male (2017: 32%/68%).
- Employee engagement improved to 60% from 56% in 2017. We continued to increase participation levels to 75%, which means we have a really good understanding of what our employees value about Kier.
- We recorded 65,487 training days, equivalent to 3.7 per employee (2017: 2.4 days). Kier continues to maintain its membership of, and commitment to, the "5% club" with 5.5% of our employees being apprentices, graduates or trainees (2017: 5.2%).
- During the year, we launched our social impact strategy – “Shaping Our Communities” and our “Shaping Our Communities Calculator” (SoCC), which facilitates more effective social impact reporting. We recorded £157m of social impact compared with £52m in 2017.

Marketplace

- Kier achieved a 90% customer satisfaction score^, in line with our 2020 target (2017: 91%). Our net promoter score sustained a strong performance at +49 (2017: +48).
- The Kier Code of Sustainable Business reinforces our strategy for a sustainable business and promotes best practice on our projects – and is embedded in our integrated management system.
- Ensuring that human rights are respected, and that materials meet the quality and environmental standards required has become the focus of the Kier approach to responsible and ethical procurement. We have introduced audit processes that enable us to check the quality of suppliers and subcontractors with whom we work with respect to these three commitments.
  We published our annual Modern Slavery Statement in December 2017, which is available via our website – www.kier.co.uk.

Environment

- Greenhouse gas emissions intensity ratio reducing by 10%, to 28.2 tCO₂e per £m of revenue^ in the calendar year 2017 (2016: 31.4t).
- During the year, a new waste strategy was launched and we successfully reduced non-hazardous construction material waste by a further 15% year on year to 6m³ per £100k of revenue^.
  Diversion to landfill decreased slightly to 84%, from 87% in 2017.
- A 7% reduction year on year was achieved.
- AEIR for the Group increased to 148 from 119. While this is disappointing, some of this is attributable to enhanced training and awareness of what constitutes an incident, and hence better recording. Our target of 20% reduction year on year remains in place.

More in this report

Key to progress:

- Achieved 2020 target
- Improved performance from 2017
- On course to meet target
- Revised target
- Performance below target

^ Within PwC’s limited assurance scope. Please see page 29 for further details.
We are leveraging our skills to deliver for the end-user – be they road users, water consumers, residents or rail passengers.

The heritage of Kier rests in its track record of construction. However, today the Group’s capabilities are weighted more to services with an increasing footprint in infrastructure services. These services underpin the social and economic growth of the UK. Key infrastructure projects include Crossrail, the Mersey Gateway bridge, Hinkley Point C and currently the roll-out of one of the UK’s largest rail infrastructure projects, HS2.

Approximately 38% of the Group’s revenue is in infrastructure services, with a significant presence across the UK in the highways and utility services sectors.

The provision of both capital projects, as well as the maintenance of those assets, enables the Group to offer clients an end-to-end solution and enhanced value.

Kier is the number one provider of strategic maintenance and management of highways services. Key clients include Highways England, Transport for London and a number of local authorities across the country.

In the utilities sector, the Group has specialist capabilities in the power and energy, water, telecommunications and rail sectors.

In power and energy, clients include UK Power Networks and Western Power Distribution. In the water sector, clients include Anglian Water and Thames Water.

In telecommunications, the Group is now the largest provider of domestic fibre installation services for Virgin Media following the acquisition of McNicholas, and in rail provides electrical and mechanical services to Network Rail.

Given the scale of many of the projects delivered by Infrastructure Services, we often deliver these as joint ventures with other major contractors. This enables the specialist skills held by different organisations to be blended.

Clients want to see more collaboration and encouragement to share the most innovative and effective solutions across the industry.
Collaboration in highways

The Collaborative Learning Circle (CLC), initiated by Kier Highways, is a professional learning and development forum that engages with colleagues, clients and supply chain partners to help transform our industry. It does this by using a range of e-learning modules to improve safety, customer service and delivery through innovation and collaboration. An outcome from this collaboration was the selection of OnSide as the social partner of the CLC.

Providing economic, social and environmental wellbeing within the contracts we undertake includes tackling the significant skills gap within the construction industry. The Kier campaign, Shaping Your World (see page 19), focuses on this issue, and OnSide helps the CLC with this campaign by giving opportunities to young people to improve their futures.

An event held on behalf of OnSide in April 2018, supported by the CLC community, raised £502,660 for the new Youth Zone being built in Warrington. Youth Zones provide somewhere for younger people to go and gain the essential life skills to offer greater opportunity for them. Further events are planned, alongside a strategy to provide mentoring opportunities, apprenticeships and jobs.

Local skills and employment in major infrastructure projects

Kier is working in a joint venture on site preparation and infrastructure for the new nuclear power station at Hinkley Point C, incorporating two 1650MW reactors, which together are capable of generating electricity for approximately five million homes. At its peak, the joint venture will have a workforce of around 1,500 people creating positive impacts for the local economy through job creation, the provision of services such as catering or accommodation, and community engagement programmes:

- More than 1,000 flexible apprenticeships will be delivered, allowing participants to gain wide experience by moving between the client, the contractors and consultants;
- Targeted NEET recruitment – people classed as not in education employment or training – 37 have been recruited to date;
- 90% of the workforce live within 20 miles of the project;
- 20 jobs created locally by having a concrete batching plant on site; and
- Enabled SMEs to deliver groundworks by breaking the work into small packages.

As the project involves excavating more than five million m³ of earth, and building a 400m piled wall, there is an ongoing programme monitoring and protecting the area’s biodiversity. A permanently sited environmental team is on hand to monitor, advise and deliver a comprehensive training package on the high standards expected in nuclear projects, and how we can protect the environment in our day-to-day operations.
Kier is a national builder with a network of regional offices which ensures that every project contributes to the local economy, utilising local skills and drawing on the local supply chain.

Our portfolio covers local and regional projects as well as major projects. We have the flexibility and expertise to build across a range of projects from a £250k extension to a strategic asset costing hundreds of millions of pounds.

Our activities support local economies with work including town centre regenerations, refurbishing transport hubs and interchanges, building schools, civic and leisure facilities such as museums and hotels, and developing commercial sites. Over 400 projects are undertaken each year.

With a focus on new building methods, Kier has delivered over the last five years more than £2bn of projects that have included using off-site construction and modern methods of construction.

Kier is a leader in the education and health sectors and has an established position on public frameworks and growing positions in the private sector.

In this sector there is a shortage of skilled people available, so we are actively targeting campaigns to improve awareness of the opportunities offered by a career in Kier. Another challenge for us is the increasing demand from clients, especially in the public sector, to be able to demonstrate how Kier creates positive social impacts when it is awarded a contract.
Building local communities

Kier delivers building projects of varying scales across the UK. We have a well-developed regional presence through a network of offices, enabling us to stay close to the supply chains we need to deliver work on behalf of our customers. Increasingly, customers want to understand how awarding work to Kier helps to create a positive social impact and we can demonstrate this through Shaping Our Communities – the Kier strategy for social impact.

One of the ways in which we create this impact is by using supply chain partners based close to the contracts that we are delivering; this sustains jobs in communities and gives them an economic boost.

This is well recognised by Government, which actively encourages the use of SMEs, which are usually working on a local or regional basis.

We’ve mapped our supply chain and found that more than 82% of all subcontractors with whom we work are SMEs, and that 61% of our subcontractor spend is with them. This not only creates an enormous boost for jobs, but also generates hundreds of millions of pounds of benefit for local economies through the ‘multiplier effect’. This is where money recirculates in an economic cycle and has an impact greater than the original amount – one person’s spending is another’s income.

Shaping Your World with new skills

Shaping Your World is our campaign to highlight the need for 400,000 recruits to the built environment every year. We created a network of around 350 Kier Ambassadors who engaged with more than 15,000 schoolchildren, predominantly in the age range 11 to 15 years old. Kier Ambassadors offer insight and advice to highlight the range of opportunities in our sector, and to challenge the notion that it is muddy, manual and male-dominated.

Supporting this campaign, and allowing people to get a better understanding of what we do, is the Open Doors programme. This runs across the sector and offers the public a unique opportunity to visit our sites to see the incredible breadth and depth of what we do, and the vast array of projects that we deliver, with Kier opening sites from Edinburgh to Cornwall.

During Open Doors 2018, Kier opened a record number of sites – 53 – to mark our sixth year of taking part in the scheme, and more than 5,000 people registered to come to a site. If we are to attract the 400,000 recruits each year that the built environment needs, it’s vital the whole industry comes together to showcase the work we do, and Open Doors gives us a fantastic opportunity to do this.
We work collaboratively to regenerate communities and to accelerate the delivery of houses to areas of the country with the greatest need.

Kier has a strong track record in regenerating areas through its property development and housing activities. These capabilities, along with strong local knowledge and supply chain relationships, also allow us to provide maintenance services to local authorities and private landlords with large housing portfolios.

With demand outstripping supply, Kier works closely with Homes England and other housing providers to accelerate the development of new affordable homes which help address the national shortage in the UK market where over 300,000 homes are needed every year.

The increased use of technology within the home has seen a change in the building of new homes. The inclusion of smart design and technology within the home is driving innovation. Kier Living invested £3m in upgrading its customer relations software platform to help improve communications with its customers pre and post sales completion.

In the housing maintenance market, Kier is pioneering an entirely new predictive approach to property asset management to pre-empt maintenance issues and so prevent the need for costly and disruptive reactive repairs.

Our customers in this sector also want to see us making a positive impact to the communities where we are delivering services on their behalf.

Many of our employees are drawn directly from the communities we serve. Social impact benefit is often delivered through the comprehensive skills and employment programmes Kier provides in these communities.

These are often targeted at people who find it more difficult to get into employment. An example of this, illustrated opposite, is the Working Roots Programme, delivered in North Tyneside.
Greener Way of Living campaign

As part of its new Greener Way of Living campaign, Kier Living partnered with Forest Carbon, a company leading the way in voluntary carbon woodland creation in the UK. This partnership commits Kier to planting 45,000 trees by 2020 to offset carbon emissions, support flood mitigation, river improvement and public access, and create biodiversity-rich amenity woodland in the UK.

Kier Living is also implementing more environmentally responsible working practices across all its development sites. This includes changes in the way it uses energy, disposes of waste and how it uses equipment. It is helping new home buyers at all Kier developments to become more energy efficient in everyday life, providing guidance on using household appliances, transport and energy resources. By talking to the communities we work in about the impact everyday actions have on the environment, we can ensure as many people as possible benefit from our commitment to be a more responsible and sustainable business.

Skills and employment

Kier won a national ‘excellence in employment skills and training’ award from TPAS, the expert body for tenant engagement. The award is for the Working Roots programme – a unique private, public and voluntary sector partnership designed to offer construction training opportunities to young people with complex and challenging circumstances, including homelessness, additional learning needs and the potential to offend or re-offend.

The scheme, in its fourth year, has been developed by Kier North Tyneside, North Tyneside Council and its social enterprise programme – Justice Prince CIC – in direct response to industry skills shortages and the growing numbers of marginalised young people not in education, employment or training (NEET).

With a recent report suggesting that youth unemployment, crime and poor health could be costing Britain as much as £77bn a year, the programme also delivers significant social and economic value.

The emphasis is on re-integrating young people into the community, offering them the chance to gain hands-on experience and a vocational qualification, as well as supporting English and maths.

From last year’s cohort, 60% have found employment or apprenticeships, or are now in further education, with the remainder working with the council’s Connexions service to find opportunities. There has also been a reduction in anti-social behaviour and re-offending.
Delivering value for our customers and shareholders relies on having a healthy, safe, skilled and engaged workforce, and extending these values to our supply chain partners and to the communities we serve. In this section we provide updates on our activity related to these areas.

**Safety and health performance**

**Accident incidence rate (AIR)**

<table>
<thead>
<tr>
<th>Year</th>
<th>AIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>96</td>
</tr>
<tr>
<td>17</td>
<td>130</td>
</tr>
<tr>
<td>16</td>
<td>211</td>
</tr>
</tbody>
</table>

Health and Safety Executive (HSE) benchmark AIR is 397 for the construction industry.

**All accident incidence rate (AAIR)**

<table>
<thead>
<tr>
<th>Year</th>
<th>AAIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>392</td>
</tr>
<tr>
<td>17</td>
<td>492</td>
</tr>
<tr>
<td>16</td>
<td>656</td>
</tr>
</tbody>
</table>

**Visible leadership tours**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>5,882</td>
</tr>
<tr>
<td>17</td>
<td>5,861</td>
</tr>
<tr>
<td>16</td>
<td>4,729</td>
</tr>
<tr>
<td>Target</td>
<td>3,600</td>
</tr>
</tbody>
</table>

**Safety, health and wellbeing**

Safety is a priority for the Kier Group and we have set a demanding target for our AIR of zero by 2020, and a 20% reduction per annum in our AAIR against a 2016 benchmark of 656.

In the year, our AIR showed a further improvement to 96 from 130, the lowest AIR recorded by our business. AAIR reduced to 392 from 492 last year, a reduction of 20%, in line with our year-on-year target. Critical to improving our approach to safety is setting the right culture and enabling leadership on doing the right things, in the right way. Our programme, which encourages our senior managers to engage regularly with our front-line operations, saw a year-on-year increase in visible leadership tours from 5,861 to 5,882. This exceeds our target of 3,600 per annum.

At the same time, UK reportable accidents also decreased from 57 to 42.\(^\text{1}\) Reportable accidents are those captured and reported under the HSE ‘Reporting of Injuries, Diseases and Dangerous Occurrences Regulations’, known as RIDDOR. Our RIDDOR data lies at the heart of our reporting for all accidents and is independently assured. Kier was prosecuted and fined during the year for two incidents which occurred in previous years. See the Safety, Health and Environment Committee report in the Kier Group Annual Report 2018, pages 79-80, for more detail.

**Our health and wellbeing strategy**

<table>
<thead>
<tr>
<th>Target</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduce pre-employment fitness-for-work standards</td>
<td>Standard introduced and being used across Kier.</td>
</tr>
<tr>
<td>Health surveillance programme</td>
<td>Programme commenced to further identify those at risk from work-related diseases, such as hand-arm vibration, and to deliver appropriate interventions.</td>
</tr>
<tr>
<td>Reduction of sickness absence</td>
<td>Kier-wide process to identify sickness absence and its causes, and target the right support and intervention to deliver a 10% reduction by 2020.</td>
</tr>
</tbody>
</table>

\(^1\) Within PwC’s limited assurance scope. Please see page 29 for further details.
Wellbeing performance

Wellbeing referrals seen within 10 days (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Referrals seen within 10 days (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>81</td>
</tr>
<tr>
<td>17</td>
<td>78</td>
</tr>
<tr>
<td>16</td>
<td>81</td>
</tr>
</tbody>
</table>

From 1608 referrals. Not all management referrals are subject to a 10-day target.

Our health and wellbeing strategy, launched in the year, recognises that keeping people safe is only one aspect of keeping people fit and healthy for work. Managing employees’ and supply chain partners’ physical and mental wellbeing is also important, both as they start their career with Kier through fitness-for-work health screening, and the provision of ongoing care via our occupational health team. The introduction of a more robust referrals system – and better clarity on identifying and intervening on sickness absence – saw referrals reduce to 1,640 from 1,823 in the previous year.

A balanced and inclusive business

Competition for talent in our sector continues with an estimated 400,000 recruits needed every year. Our future success depends on recruiting and retaining the best talent and we actively manage the potential risks and opportunity this presents (see pages 36-43 of our Kier Group Annual Report 2018).

Kier is inspiring the next generation to consider careers in the built environment and changing perceptions that the sector is muddy, manual and male dominated. We’ve taken an industry lead with our Shaping Your World campaign, committing 1% of our workforce as Ambassadors to engage with 11-15-year-olds and share their experience and build awareness. During the year, more than 350 Kier Ambassadors have engaged directly with in excess of 15,000 schoolchildren, exceeding our initial targets. This helps our plan to attract people from more diverse backgrounds to our business and creates an inclusive environment to spark the creativity and energy that drives innovation and growth.

We became a patron of the 5% Club and improved the percentage of our employees in training and early career to 5.5%. We also became a member of the government-backed Apprenticeship Diversity Champions Network, committed to supporting people from diverse or more deprived backgrounds into the workplace. We increased the number of graduate offers made to females. Despite this, the percentage of female graduates recruited fell from 32% to 23%. This is in part due to the rising competition for the best talent from emerging sectors.

Our balanced business strategy targets improved representation of women throughout the organisation. On gender pay we reported a median gap of 20.2%, in line with our industry, reflecting the lack of women in the more senior leadership positions. Our reward strategy ensures people are paid fairly for the job they do. We know there is more to do and have a clear plan for improvement, with leaders personally committed to making change happen. Our Gender Pay report can be viewed online at www.kier.co.uk.

Our Balanced Business Network, an internal Kier forum, is driving tangible change through our employee and LGBT+ networks. Successes include launching an innovative board game that builds awareness of unconscious bias, and organised cross-business participation in Pride events.

We continued to invest in the training and development of our employees, increasing training days delivered to 65,487, an increase of 50%. This is equivalent to 3.7 per employee against our target of an average of five per employee per year by 2020. We launched new management and leadership development at all levels, from first-line manager to board level, and our new skills development programme for female talent – more than 150 women will participate during the year.

Employee engagement improved to 60% (2017: 56%), with participation at 75%, giving a good understanding of what our employees value about Kier and what we need to work on to get even better.

The 5% Club

5.5%

of Kier employees are apprentices, graduates, sponsored students or in further education

(2017: 5.2%)
Society and community

Kier operates across the UK, providing the social and economic infrastructure that is critical to the health and wellbeing of wider society. We provide employment and skills development to our direct workforce and sustain that of our supply chain, and create new employment opportunities in the communities we serve. We have groundbreaking partnerships to support those who may have difficulty in finding employment. For example, ex-offenders or longer-term unemployed people. Kier operates a number of programmes to help people enter the world of work including our award-winning S-Skills programme, which gives vulnerable young people work experience.

We recognise the need to be able to demonstrate what sets us apart from our competitors.

The Kier social impact strategy – Shaping Our Communities – has continued to drive activity on our projects and more strategicaly through the development of a social impact calculator. With the assistance of external expertise, we have designed and launched our calculator and delivered training on what social impact is to hundreds of employees at Kier during the year. This has allowed us to capture more of the ways in which Kier enables positive outcomes, with a significant step this year being the ability to identify the money we spend with SMEs. It is well recognised that SME spend has an enormous impact on local and regional economies, as this spend tends to circulate locally and has a well-recognised 'local multiplier'. The total amount of positive social impact, otherwise known as value, recorded by Kier has increased significantly from £52m in 2017, to £157m in 2018. How we create this impact is discussed in more detail on pages 4-7 and in the case studies on pages 12-17. The main elements that our new calculator captures are:

- Environment;
- Skills and employment;
- Communities;
- Local partners; and
- Social enterprise.

Kier has made significant progress toward its target of creating positive social impact equivalent to 10% of our revenue, achieving 3.4% (2017: 1.2%). In the coming year, the focus will be on the continued roll-out of training and awareness of social impact and further improvements to our recording platform.

We believe that this will allow us to deliver and capture more activity pushing us closer to our target.

Social impacts

Direct comparison between 2017 and 2018 totals

<table>
<thead>
<tr>
<th>Year</th>
<th>Total of direct and indirect social value</th>
<th>Additional social value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>£52m</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>£80m</td>
<td>£60m £14m £157m overall total</td>
</tr>
</tbody>
</table>

Total of direct and indirect social value is directly comparable in each year and is comprised of:

- Kier apprentices and work experience
- Apprentices supported in our supply chain
- New and sustained employment
- The value of time given to skills development and community projects
- Cash donations

Social value generated through SME spend

Social value generated through the environmental benefits of diverting waste from landfill

Social value generated through spend with social enterprises

£3m
The aim of the Kier Foundation is to engage with employees in supporting the causes that matter to them, and to make a positive impact on the communities and charities it supports.

The Kier Foundation manages the relationship with the corporate charity partner chosen by Kier and its employees every two years, matching funding for employees and for operational businesses where they are raising money for good causes, and creating campaigns that benefit our employees.

The Kier Foundation also supports a new relationship with End Youth Homelessness. An education, training and mentoring programme will be supported with an annual donation of £50,000.

The Kier Foundation is an independent charity, financially supported by Kier Group for employee and other administrative costs that enable the delivery of the Kier Foundation’s main areas of activity.

Campaigns that benefit employees

Kier runs an employee-only lottery – the Winners’ Club. This lottery raises funds to be split in equal measures between the Kier Foundation and a lucky winner each month. The first prize is £5,000 and, since its launch, £336,057 has been awarded to employees, including £89,050 in the year.

Corporate charity partnership

At the start of the financial year, Kier and our employees chose a new corporate charity partner – the British Heart Foundation. Over the course of the next two years Kier aims to:

- Raise £250,000 for BHF; and
- Train 1,500 lifesavers – people with the training and confidence to administer CFR if necessary.

Our previous charity partner, the Alzheimer’s Society, received donations from the Kier Foundation and our employees totalling £150,000 and £276,062 respectively. This supported the equivalent of more than 17,000 dementia support worker hours.

Through the partnership, 643 employees were trained as Dementia Friends, helping to raise awareness of the disease, and the aims of care for today and cure for tomorrow.

Match funding

Employees can apply for match funding of up to £200, twice a year, to benefit the charity of their choice, with £130,655 donated in the year.

The operational businesses can also apply for match funding – up to £5,000 per annum to support community projects and charities, with £36,500 donated in the year.
FOCUS AREA
MARKETPLACE

Our suppliers and subcontractors are essential to the success of our business and our projects. We work collaboratively with our supply chain to deliver positive outcomes for our clients and wider society.

Marketplace performance

<table>
<thead>
<tr>
<th>Customer satisfaction (%) ^</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
</tr>
<tr>
<td>17</td>
</tr>
<tr>
<td>16</td>
</tr>
</tbody>
</table>

Considerate Constructors Scheme

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>18</td>
</tr>
<tr>
<td>17</td>
</tr>
<tr>
<td>16</td>
</tr>
</tbody>
</table>

Customers

Customer satisfaction is a strategic priority for Kier – our business only continues to grow and prosper by being able to win and deliver projects that meet the diverse needs and expectations of our customers (see the market-leading position spreads on pages 12-17, and pages 4-9, and 22-27 in our Kier Group Annual Report 2018). Our success depends on customers playing a role in the Kier business model and benefiting from the wider outputs and outcomes (see page 5).

At Kier, we believe that we continue to grow our market share through gaining new customers, and obtaining repeat work from existing customers because of:

- Our problem-solving capabilities;
- Our ability to apply fresh and innovative thinking to projects; and
- Our commitment to working collaboratively with customers.

This allows Kier to really understand our customers’ expectations, and then deliver against them.

Our target for customer satisfaction is 90% by 2020 and this year we achieved 90% ^, a slight drop from last year (91%). This was based on 543 individual surveys. We also track our net promoter score, which is based on a scale of -100 to +100 and achieved +49 in the year, a good score for the sectors in which we work.

Code of Sustainable Business

Kier works across many projects delivering a diverse range of services. Wherever we operate we expect our minimum standards to be followed. These standards encompass health, safety, environmental and community aspects, and are part of the management system that governs how we work. We want to make sure that everyone working for and on behalf of Kier can understand our minimum standards, so we created a plain English version of these which we call Setting the Standards.

The elements of the document that reflect our commitment to high standards of performance on environmental and community matters is known as our Code of Sustainable Business – in recognition of the role it plays in supporting our strategy for a sustainable business.

In our Building UK business, we also use the Considerate Constructors Scheme as a yardstick of best-practice performance, which is also valued by our customers. In the year, 183 sites were registered and 45 awards were won, including seven gold. An average score of 40/50 was achieved, compared with an industry average of 36/50.

^ Within PwC’s limited assurance scope. Please see page 29 for further details.
**Setting the Standards**

For safety, health and environment

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**Responsible and ethical procurement**

Kier works with many suppliers and subcontractors across the breadth of our operations. Ensuring that we choose the right supply chain partners is critical for managing risks; being competitive; meeting customer expectations; and enhancing positive social impacts.

This year, we strengthened the audit processes that check the quality of suppliers and subcontractors with whom we work. The audit includes environmental standards and human rights. Our standards on human rights are based on those published by the International Labour Organization.

During the year, we tested a sample of our preferred suppliers against non-financial standards that we have in place including requirements on bribery, modern slavery and human rights more generally. These extended to reviewing suppliers overseas too. Based upon our tests, we are satisfied that our processes are robust and, when followed, ensure the continued quality and performance of our supplier partners.

Our Modern Slavery Statement, which is updated annually, and made publicly available in December, sets the following commitments:

- Continued development of standards to support our Anti-slavery and Human Trafficking Policy (and related policies);
- Review our pre-qualification standards for the appointment of new suppliers and subcontractors;
- Work with Build UK, the representative organisation for the construction industry, to define a single, industry-wide pre-qualification standard; and
- Ensure relevant employees receive appropriate training on identifying any potential unlawful or unethical conduct within our operations and supply chain, and launched online training for our workforce.

Our target to achieve the Chartered Institute of Procurement and Supply Corporate Ethics Mark has been rolled back to the coming year.

Kier worked with the Gangmasters and Labour Abuse Authority (GLAA) to develop an understanding of the risk posed by modern slavery in our sector. We became one of the first signatories to the GLAA Construction Protocol, which aims to identify and protect vulnerable workers, and to raise awareness of the issue of modern slavery with our subcontractor partners.

We’ve provided an independent and confidential helpline so anyone that suspects they, or someone they know, is the victim of modern slavery can receive support and assistance.

In the year, there has been a tremendous focus on the subcontract supply chain within the sectors that Kier operates in. Some of this has been due to the general state of the sector; other issues have been around skills, the threat of modern slavery has been raised, and fair payment practices have been questioned too. Kier has worked with Government on general matters affecting our sectors and shared our experience or offered opinion when we’ve been asked. We’ve also been able to demonstrate what our performance has been and recognised where we need to improve.

Kier has recently launched an industry-leading solution for the prequalification of supply chain partners, in partnership with the three largest accreditation companies – CHAS, Achilles and ConstructionLine. A subcontractor who holds one of the recognised standards can now work across Kier. This reduces the bureaucracy for the subcontractor and sets a common standard.

During the year, the Government stated it would strengthen the Social Value Act by requiring commissioners of public sector procurement to demonstrate how awarding a contract delivers positive social impact, and issued a Procurement Policy Note that offers guidance to central government departments on requiring companies delivering contracts to disclose their spend with SMEs and social enterprises or voluntary organisations. The guidance suggests 33% of subcontract project spend should be with SMEs and Kier currently achieves 61%.

Kier has always had a strong regional presence, with well-established local supply chains developed through a network of more than 80 offices and nearly 100 years of operating in the UK. This creates an enormous economic boost for the communities in which we operate and secures local employment (see pages 4-7).

---

**Our targets for the coming years**

<table>
<thead>
<tr>
<th>Years</th>
<th>Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19:</td>
<td>60% of existing preferred suppliers audited on sustainable procurement upon renewal</td>
</tr>
<tr>
<td></td>
<td>80% of new preferred suppliers audited on sustainable procurement standards as part of approval</td>
</tr>
<tr>
<td>2019-20:</td>
<td>80% of existing preferred suppliers audited on sustainable procurement upon renewal</td>
</tr>
<tr>
<td></td>
<td>90% of new preferred suppliers audited on sustainable procurement standards as part of approval</td>
</tr>
</tbody>
</table>
FOCUS AREA

ENVIRONMENT

Minimising the negative impact we have on the environment can deliver efficiency benefits that improve our operations and create positive impacts for wider society.

Energy efficiency and carbon dioxide emissions

Having achieved our target for 2020 three years early, last year we launched our new energy efficiency strategy, 30 by 30, the aim of which is to reduce our energy use by 30% by 2030. By using energy and fossil fuels more efficiently, we can reduce our greenhouse gas emissions, including carbon dioxide, which are the primary cause of climate change. The Kier greenhouse gas emissions intensity ratio reduced by 10% to 28.2 tCO₂e/£m revenue. Reducing energy use also reduces our reliance on an unpredictable fossil fuel market and delivers significant financial benefits over time, helping to reduce the cost of doing business for Kier.

As part of 30 by 30, each business stream has developed an energy action plan, which includes a fully costed business case for each energy reduction initiative. This plan forms an integral part of their business strategy, recognising that effective environmental management can deliver financial as well as environmental benefits.

30 by 30 is fully supported by our supply chain and we are collaborating with our suppliers to ensure we have the latest in energy efficient plant, vehicles and equipment and are helping our subcontractors to identify opportunities to reduce their energy use and emissions.

Our 30 by 30 programme is on plan. The first tranche of energy saving projects are showing a reduction in energy use. For more information go to www.kier.co.uk.

Environment performance

Greenhouse gas emissions intensity

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>28.2</td>
<td>31.4</td>
</tr>
<tr>
<td>16</td>
<td>36.6</td>
<td></td>
</tr>
</tbody>
</table>

Measured as carbon dioxide equivalent – tCO₂e – per £m revenue

Non-hazardous construction material waste

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>6.0</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>9.4</td>
<td></td>
</tr>
</tbody>
</table>

Measured as m³ per £100k revenue. Our waste reporting comes from a sample representing 41% based on revenue.

Construction material waste diversion (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>84</td>
<td>16</td>
</tr>
<tr>
<td>17</td>
<td>87</td>
<td>13</td>
</tr>
<tr>
<td>16</td>
<td>86</td>
<td>14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diversion from landfill</th>
<th>Landfilled</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>16</td>
<td>14</td>
</tr>
</tbody>
</table>

Annual greenhouse gas emissions 2017

<table>
<thead>
<tr>
<th>Emission type</th>
<th>2016 CO₂e tonnes</th>
<th>2017 CO₂e tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1: operation of facilities</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Scope 1: combustion</td>
<td>108,831</td>
<td>101,781</td>
</tr>
<tr>
<td>Total Scope 1 emissions</td>
<td>108,831</td>
<td>101,781</td>
</tr>
<tr>
<td>Scope 2: purchased energy</td>
<td>14,467</td>
<td>10,277</td>
</tr>
<tr>
<td>Scope 2 total emissions</td>
<td>14,467</td>
<td>10,277</td>
</tr>
<tr>
<td>Total Scope 1 and 2 emissions</td>
<td>123,298</td>
<td>112,058^</td>
</tr>
<tr>
<td>Greenhouse gas emissions intensity ratio</td>
<td>31.4 t/£m</td>
<td>28.2 t/£m^</td>
</tr>
<tr>
<td>Revenue (£m) – calendar year</td>
<td>3,928</td>
<td>3,915</td>
</tr>
</tbody>
</table>

CO₂e = carbon dioxide equivalent

Our reporting of greenhouse gas emissions is for the calendar year 2017 to mirror our reporting to the Carbon Disclosure Project. Our dataset covers 88% of the Kier Group operations by revenue (2016: 94%). Our reporting methodology detailing inclusion/exclusion of joint operations and joint ventures is given in our reporting methodology available at www.kier.co.uk. Scope 1 fugitive emissions are not included. Reporting follows the requirements of the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, is in line with ISAE 3410, and uses conversion factors published by DEFRA.

^ Within PwC’s limited assurance scope. Please see page 29 for further details.
**Waste**

During the past three years, Kier has delivered a consistent reduction in the volume of non-hazardous construction materials sent to waste, per £100k of revenue. Through a focus on reducing waste we continue to drive greater efficiency into how we build projects on behalf of our customers and avoid the unnecessary use of limited and expensive resources. We also target the purchase of materials with lower environmental impacts through our approach to responsible procurement, with a series of standards that outline requirements related to environmental aspects and human rights. This links to our approach to effective risk management on issues such as modern slavery. Having almost achieved our 2020 target last year with a 27% reduction in waste/£100k, against a target of 30%, we continue to refine our new strategy. This has greater focus on finding ways to reduce waste over the whole cycle of construction, from purchase to repurposing materials, so that they never enter the waste cycle. We continue to adopt more innovative approaches to construction, including off-site manufacturing and modern methods of construction. The volume of non-hazardous construction material waste produced reduced by 15% to 6m³ per £100k of revenue \(^\text{A}\). Where we cannot avoid waste being created we will continue to work with companies who can provide the highest recycling rates, and last year achieved a rate of 84%, down slightly from the previous year. For more information visit our website – www.kier.co.uk. A case study document is also available here.

\(^A\) Within PwC’s limited assurance scope. Please see page 29 for further details.

**Environmental incidents**

Kier believes that protecting the environment goes beyond limiting our use of fossil fuels and reducing waste – we also have a duty to: reduce and avoid unnecessary harm through pollution incidents of water, air or ground; identify and protect archaeology and our cultural heritage; protect and enhance biodiversity where possible; and ensure we manage the creation of noise or dust during our activities. To help with this, we created our Code of Sustainable Business (see page 22), which explains to employees and partners alike how we can do this and will deliver more training over the year to support this. We’ve also identified the type of training and experience needed by our employees and partners to help us achieve a continued reduction in environmental incidents. We saw a significant improvement in awareness and recording of incidents, including minor incidents on site – for example, hydraulic oil leaks. This meant the AEIR increased to 148 (2017: 119) and the 20% reduction year-on-year target was not achieved. In the year, Kier was prosecuted for one environmental incident from 2014 where a heating oil discharge occurred at Christchurch Hospital. See the Safety, Health and Environment Committee report on pages 81-82 of the Kier Group Annual Report 2018.

**Biodiversity**

Kier continues to deliver biodiversity enhancements, either as part of a construction project or local initiative in support of our commitment to be a responsible business, to the benefit of both wildlife and communities. We are active members of the Biodiversity Interest Group (BIG), which is run by the Construction Industry Research and Information Association (CIRIA) and chaired by our Group Environmental Manager. We were one of the founders of CIRIA’s BIG Biodiversity Challenge and, in 2018, completed 38 challenges, up from 27 in 2017. At the 2018 BIG Biodiversity Challenge Awards, Kier was highly commended in three categories and two of our employees were nominated for BIG Biodiversity Champion, with Jamie Edmonds being declared the overall winner.

- BIG Biodiversity Champion 2018 – Kier Utilities Environmental Manager Jamie Edmonds
- Medium/Large Scale Project Award – Kier Highways – Highly Commended
- Temporary Award – Kier Construction London – Highly Commended
- Community Engagement Award – Kier Construction London – Highly Commended

Two other Kier Challenges from Kier Highways Area 3 and Areas 6 and 8, although not shortlisted, received a special commendation from the judges for fully embracing the ethos of the BIG Biodiversity Challenge. For more information see our case study document – www.kier.co.uk.

**Water**

Kier Group water consumption in 2017 fell to 454,000m³ from 486,000m³ in 2016. This is despite an increased output by our businesses that use water for producing concrete and mortar. This is one of the main uses of water on site. Our estimate is based on a sample of 67% of our business, down from 74% last year. Kier has continued to identify opportunities to reduce water consumption, including early identification of leaks through improved onsite monitoring, capturing and storing rain water during the construction phase of a project to provide emergency water supplies for the local fire service or for dust suppression, and fitting aerated and push taps to our welfare units.
Assessment of principal risks and risk appetite

During the year, the Board conducted a review of the Group’s principal risks and uncertainties, together with its appetite with respect to each risk. A summary of the various stages of the review process undertaken in 2018 is as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2017</td>
<td>Board discussion about its risk appetite/the Group’s risk management framework</td>
</tr>
<tr>
<td>December 2017</td>
<td>Further Board discussion about its risk appetite in the context of its review of the Group’s strategy</td>
</tr>
<tr>
<td>January - March 2018</td>
<td>Executives Directors to assess their risk appetite against the Group’s six strategic priorities</td>
</tr>
<tr>
<td>April – May 2018</td>
<td>Business risk measurement metrics and tolerance discussed with the Executive Directors</td>
</tr>
<tr>
<td>June 2018</td>
<td>Executive Directors discuss specific business risks. Board discussion about its appetite for contract risk by contract type</td>
</tr>
<tr>
<td>July and August 2018</td>
<td>Drafting of the ‘principal risks and uncertainties’ section of the Kier Group Annual Report 2018</td>
</tr>
<tr>
<td>September 2018</td>
<td>Risk Management and Audit Committee and Board. Approval of the sections of the Kier Group Annual Report 2018 relating to risk management</td>
</tr>
</tbody>
</table>
As we expected, following an increase in the level of awareness of the helpline, there was a small increase in the number of cases that were reported in the year to 81, compared with 78 in 2017. No issues were considered to be material in the context of the Group were identified with respect to the Group's policies on human rights, which includes modern slavery and human trafficking, or anti-bribery and anti-corruption.

**Reward scheme**

At our AGM last year, the revised remuneration policy for our executive directors was approved. This includes personal measures related to the non-financial performance measures that are a key element of Vision 2020.

**Management**

Kier delivers a multitude of different services and projects through our three market-leading positions. But wherever we deliver our offering, we work to the same standards and the six strategic priorities that are at the heart of Vision 2020.

Key to the effective management of our business and achieving the financial and non-financial performance measures in Vision 2020 has been the development of robust governance processes across all our operations (See pages 57-83 of the Kier Group Annual Report 2018).

The way we manage Kier allows us to deliver financial and non-financial benefits to all the stakeholders connected with our business. Pages 4-9 show what outputs (the strategy dashboard and key performance indicators are also reviewed on pages 28-31 of the Kier Group Annual Report 2018) our operating model delivers across our three market-leading positions. This consistent approach supports the adoption of Kier values and the creation of a strong culture, and we reflect this in six non-financial performance areas of our strategy for growth, Vision 2020 – see pages 28-31 of the Kier Group Annual Report 2018 for more detail on progress against our strategic indicators.

RBPO supports Vision 2020. Progress and strategic review falls to the Corporate Responsibility Leadership Group (CRLG) – see diagram below.

Made up of representatives of our operational businesses and central Group Services, the CRLG works to identify how well our strategy is meeting the needs of our stakeholders, and what policy or process intervention may be needed to address the changing nature of the regulatory and market environments in which we operate. By working collaboratively across the businesses and Group Services, we can call on additional skills and experience to create appropriate and proportionate responses.

During the year, working groups provided expertise in examining and determining our business response to various matters across RBPO, but with some elements being of particular interest:

- Balanced Business Network – continued attention on how we develop our approach to a more diverse business;
- Sub-procurement processes to further embed ethical business requirements into our supply chain practices;
- Suppliers – continuing to check and test how well integrated our procedures relating to social and environmental standards are; and
- Social impact leadership team – developing and sharing best practice on how we engage with communities and leave a lasting positive legacy.

Another benefit of this structured management is that, from a Group perspective, we remain close to the views of our customers through the operational input to the CRLG, and the challenge received from the network of CR Business Partners. This allows the continued evolution of approaches to ethical and sustainable business in a consultative, responsive, collaborative and balanced way.

Additional input to the CRLG also comes from the BITC, which provides independent guidance through its role as a critical friend to Kier (see page 28).
Benchmarks, reporting and assurance

Kier participates in several benchmarks to test and validate the integration of responsible and ethical business practices into our day-to-day operations. They also highlight where performance can be improved and enable the more transparent reporting of our policies and practices. This helps us present more of the information required by our stakeholders when choosing Kier as a contractor of choice, or to position the investment offering to potential shareholders.

We track our RBPO strategy through a series of performance indicators, some of which are independently assured by PwC – see page 29. The Kier Group website (www.kier.co.uk) provides a detailed explanation of each non-financial KPI. Our CR Report adopts the Global Reporting Initiative (GRI) Standards. This report covers our performance for 2018 on RBPO – our strategy for a sustainable business.

Business in the Community

Foremost among benchmarks employed by Kier has been the BITC CR Index, used for many years as our single measure of improving performance on responsible business matters, and how well embedded they are to our business model. Since 2015 our score has improved steadily from 87% to 93%. We know that BITC will be changing their index model in the next year, and so we are working with them to understand how we continue to engage with them and map our progress towards more integrated approaches to social and environmental matters.

Global Reporting Initiative

The GRI has worked with numerous independent stakeholders over many years to identify and set out a clear view of best-practice criteria in reporting on economic, social and environmental themes. To aid comparability between reports from different sectors, each criterion set out by GRI is clearly defined. Kier recognises the value of the GRI Standards because it allows:

- Clear communication of relevant, balanced and accurate information, giving greater transparency on our performance;
- Allows easy cross-referencing against past performance; and
- Assists in the process of improved reporting and disclosure by identifying issues in a standardised way.

Our Reporting Guidelines, available on the website (www.kier.co.uk), provide guidance and signposts to how and where we report against the GRI Standards.

FTSE4Good

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. As a member of the FTSE 250, Kier has been assessed against the index criteria. This information is available to our existing and potential new investors to make a judgement on how well we address the risks and opportunities in our sector. This year, after several years of improving results, Kier was admitted to the index.

Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is an organisation that assesses performance data on energy use and greenhouse gas emissions. CDP reviews how companies plan to reduce their environmental impacts; their contribution to climate change; and their exposure to an unpredictable fossil-fuel marketplace. Kier achieved a rating of C in this year’s submission (2017: B). For more information on the relevance of this, and other benchmarks to our stakeholders, please see www.kier.co.uk
ASSURANCE

Independent Limited Assurance Report to the Directors of Kier Group plc

The Board of Directors of Kier Group plc ("Kier") engaged us to provide limited assurance on the information described below and set out in Kier’s Corporate Responsibility Report 2018 for the year ended 30 June 2018.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 30 June 2018 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

Selected Information

The scope of our work was limited to assurance over the information marked with the symbol * in Kier’s Corporate Responsibility (CR) Report 2018 (the “Selected Information”).

The Selected Information and the Reporting Criteria against which it was assessed are summarised below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Kier CR Report 2018.

The Selected Information consists of:

- UK RIDDOR accident total (number);
- Material waste per £100,000 revenue;
- Amount of non-hazardous construction material waste per £100,000 revenue (m³/£100,000); and
- Customer satisfaction score.

We assessed the Selected Information using Kier’s reporting criteria as set out at www.kier.co.uk/corporate-responsibility/downloads*.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 ‘Assurance engagements on greenhouse gas statements’, issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Our independence and quality control

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which Kier is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 30 June 2018.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- Made enquiries of Kier’s management, including the CR team and those with responsibility for CR management and group CR reporting;
- Evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information;
- Performed limited substantive testing on a selective basis of the Selected Information at Kier’s corporate head office to check that data had been appropriately measured, recorded, collated and reported; and
- Considered the disclosure and presentation of the Selected Information.

Kier’s responsibilities

The Directors of Kier are responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- Establishing objective Reporting Criteria for preparing the Selected Information;
- Measuring and reporting the Selected Information based on the Reporting Criteria; and
- The content of the Kier CR Report 2018.

Our responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Directors of Kier.

This report, including our conclusions, has been prepared solely for the Board of Directors of Kier in accordance with the agreement between us, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Kier for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
19 September 2018