

# Responsible business, positive outcomes



# Strategy for a sustainable business

**Our 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.**

To achieve this vision, we have embarked on an ambitious plan to grow our market share and expand our range of services. In doing so, we will deliver enhanced returns for our shareholders and create value for society and the environment.

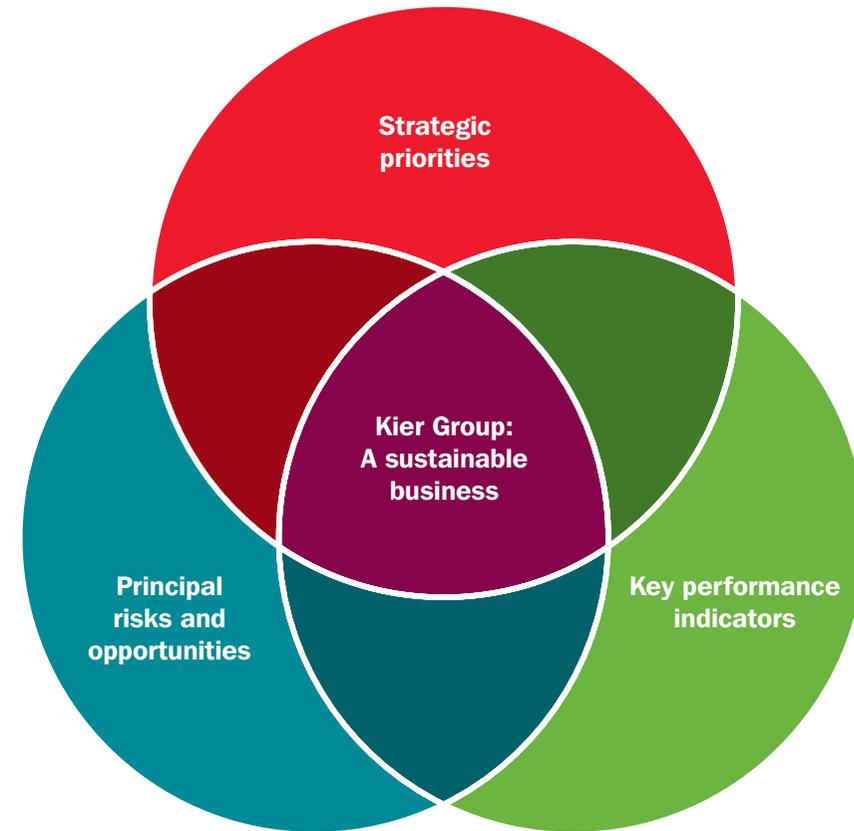
Creating this shared social and environmental value is vital. It will help to establish our reputation as leaders in our markets and enable us to effectively manage risks and identify opportunities. That, in turn, will contribute to our financial performance.

Our strategy for sustainability has four key themes, which support the financial targets set for the Group's business strategy, Vision 2020\*. These themes are:

- **People and communities**
- **Environment**
- **Marketplace**, which includes our customers and supply network partners, and
- **Governance**, which covers how we identify issues, set goals and monitor our performance.

These themes are not separate from our business strategy or the way we work day to day. They are a fundamental part of our strategic objectives, the risks and opportunities we face, and the key performance metrics we use to assess our progress. They are also part of our resilient business model, through which we provide an integrated offering to invest, build, maintain and renew over an asset's lifetime. This means that to achieve Vision 2020, Kier must take a responsible approach to economic, environmental and social issues, which delivers value for all our stakeholders.

\*Full details are available at [www.kier.co.uk](http://www.kier.co.uk)



## Principal risks and opportunities

- Funding
- The market
- Tender pricing
- Contract delivery
- Reputation
- People
- Systems
- Compliance
- Safety
- Change

## Strategic priorities

- Operate a safe and sustainable business
- Accelerate growth to be a top three player in our chosen markets
- Achieve top quartile performance and efficiency
- Provide sector leading customer experience
- Attract and retain highly motivated, high performing teams
- Ensure we have investment in technology and back office systems

## Key performance indicators (Non-financial)

- Shareholder returns
- Safety - accident incidence rate (AIR)
- Customer experience
- Employee engagement
- Employee retention
- Sustainability

## Key performance indicators (Financial)

- Six financial indicators

## Risk, opportunity and innovation

**Sustainability presents both risks and opportunities for Kier. Our strategy for a sustainable business therefore addresses our responsibility to wider societal and environmental issues. It also promotes positive actions, to ensure Kier is a robust and thriving business.**



**‘We constantly challenge how we do things and seek new, innovative and efficient means of delivery, working collaboratively with our suppliers, contractors and clients’.**

Claudio Veritiero, Executive Director – Strategy & Corporate Development

### Identifying and managing risk

Kier has a significant effect on the economic, environmental and social well-being of our customers, employees, supply network partners and communities. We also affect the environment through our emissions, use of resources and the impact we can have on habitats. We must address these issues. In a changing world carrying on with business as usual would present the single biggest risk to our business model.

Within this are a number of specific risks that could slow our growth. Vision 2020 recognises the need to tackle these issues, such as finding enough talented people to grow the business, identifying and working with skilled delivery partners, and improving our energy and resource efficiency, so we minimise costs and our contribution to climate change.

### Seizing opportunities and driving innovation

Kier is in a strong position in the value chain. As the link between suppliers and our clients, we can influence decisions to achieve the most positive impacts for society and the environment. Our services help our clients and supply network partners to reduce the lifetime impact of assets and services. From creating efficient and low-impact assets and services to recovering and reusing materials at the end of an asset’s life, we can deliver more for less to our clients and their customers.

We constantly challenge how we do things and seek new, innovative and efficient means of delivery, working collaboratively with our suppliers, contractors and clients. We aim to identify and introduce new products, processes and service models, to address our challenges, ensure we have a resilient business and take advantage of the opportunities that inevitably arise.

Kier has strong relationships with clients, supply chains and communities. Through these relationships, we enable an economic return to our communities. By making smart choices on local employment, by selecting local businesses and suppliers, offering apprenticeships where we are able, engaging with charities and other third sector organisations, we stimulate significant social value at a local level.

## People and communities

Our vision for people and communities is to provide safe and sustainable outcomes for our employees, supply chain partners, clients and communities. We want to make Kier a great place to work, where all our employees feel included, supported to perform and can develop professionally. We will support communities by providing jobs, interacting with schools, support local well-being and contributing to charities and voluntary organisations.



Focus area	The issues we face and what we aim to achieve	Our 2020 target
<b>Safety, health and wellbeing</b>	<p>We want to achieve zero harm to our workforce, with no accidents and a 25% fall in near misses from our 2015 baseline. To do this, we will:</p> <ul style="list-style-type: none"> <li>Introduce a new all accident incidence rate metric, to allow us to focus on identifying incident trends at the earliest stage. Where the trend is negative, put active measures in place to address this.</li> <li>Extend our well-being programme, to make health and lifestyle screening available to employees and our supply chain, with a target of 75% of employees using the programme by 2020.</li> </ul>	<p><b>0</b> Accident incidence rate</p>
<b>Employee engagement and retention</b>	<p>To meet our growth ambitions, we have to identify, recruit, retain and develop the best people. We will therefore:</p> <ul style="list-style-type: none"> <li>Provide better in-house training and benefits to retain employees, and enhanced programmes for new starters to encourage them to join.</li> <li>Ensure everyone is paid fairly for the work they do, solely based on their skills and ability.</li> </ul>	<p><b>75%</b> Employee engagement, 10 points above UK average</p>
<b>Diversity</b>	<p>We are facing a shortage of skilled people in our sector. To tackle this, we need to:</p> <ul style="list-style-type: none"> <li>Look for new entrants from different sectors and industries, and attract people from more diverse backgrounds.</li> <li>Promote careers within Kier to increase the diversity of trainees, graduates and apprentices, and move the gender balance of recruits to 70% male : 30% female and ethnicity to be more representative of the regions in which we work.</li> </ul>	<p><b>70:30</b> Male: female ratio of new recruits</p>
<b>Training, education and apprenticeships</b>	<p>To get the best from our people, we need to provide them with ongoing learning and development, so they can improve their performance, deal with change, take advantage of opportunities and develop professionally. This requires us to:</p> <ul style="list-style-type: none"> <li>Deliver an average of five days' training per employee each year.</li> <li>Deliver at least 80% of training to plan, with at least half of this being competency training.</li> <li>Share skills and experience through coaching and mentoring.</li> <li>Support and encourage our delivery partners to take on apprentices.</li> </ul>	<p><b>5</b> Training days per employee</p>
<b>Society and community</b>	<p>Kier delivers services to millions of people, has more than 15,000 employees and works with thousands of suppliers and subcontractors. We want to maximise the 'Kier Effect', which delivers social value from our projects, through:</p> <ul style="list-style-type: none"> <li>Donations of cash, time and materials, including pro bono professional services.</li> <li>Targeting local employment and supporting local supply chains.</li> <li>Supporting good causes and acting considerately in our communities.</li> </ul>	<p><b>10%</b> Additional social value, as a percentage of our revenue</p>

## Environment

Our vision for the environment is to reduce our negative impacts by using the least material resource possible, influencing asset design and creating processes to deliver projects more efficiently, whilst increasing our profitability.



Focus area	The issues we face and what we aim to achieve	Our 2020 target
<b>Carbon</b>	<p>We generate carbon dioxide (CO<sub>2</sub>) emissions directly when we use fuel and indirectly when we use electricity. We use materials whose manufacture also produces emissions. We directly generate five tonnes of CO<sub>2</sub> for every £100,000 of revenue and the carbon footprint of our value chain may be at least 20 times greater. We therefore aim to:</p> <ul style="list-style-type: none"> <li>▪ Improve our use of energy and reduce our carbon footprint relative to revenue.</li> <li>▪ Work with our value chain to reduce emissions over the whole life of projects and contracts.</li> </ul>	<p><b>10%</b> reduction in our operational carbon footprint per £100,000 of revenue from a 2014 baseline</p>
<b>Water</b>	<p>We estimate our UK water use at 22,000 litres per £100,000 of revenue. However, water is scarce in many places where we operate and abstracting, treating and supplying water is very energy intensive. We aim to:</p> <ul style="list-style-type: none"> <li>▪ Be more water efficient.</li> <li>▪ Introduce water monitoring and establish a robust benchmark.</li> <li>▪ Extend efficiency to our international operations.</li> </ul>	<p><b>10%</b> reduction in water consumed per £100,000 of revenue from a 2015 benchmark</p>
<b>Waste</b>	<p>We generate waste through our operations and provide environmental services that collect and process waste. Cutting waste reduces both disposal and purchasing costs. We will:</p> <ul style="list-style-type: none"> <li>▪ Reduce construction waste, and recover, re-use and recycle construction, demolition and excavation waste, recondition soils for reuse, and aim to become net positive on waste.</li> <li>▪ Recover materials from our waste collection service, to reuse as feedstock in manufacturing or as biomass to provide energy.</li> </ul>	<p><b>30%</b> reduction in construction waste per £100,000 of revenue compared to a 2014 baseline and divert 95% from landfill</p>
<b>Biodiversity</b>	<p>We have a responsibility to protect flora, fauna and their habitats at our offices and depots and on our projects. Kier is a founding partner of the CIRIA (Construction Industry Research and Information) “BIG Biodiversity Challenge”.</p> <p>To meet this challenge we will take action at our offices, depots and projects to boost biodiversity by protecting, enhancing or creating habitats for plants, insects, birds or animals.</p>	<p><b>1</b> BIG Biodiversity Challenge for every £50m of revenue</p>
<b>Environmental incidents</b>	<p>We target zero legal enforcements, so we must minimise the risk of pollution and disturbance to our neighbours, the general public and the environment. We have therefore introduced a system to record incidents, and calculate our all environment incidence rate (AEIR). Our aim is to:</p> <ul style="list-style-type: none"> <li>▪ Avoid major incidents by paying careful attention to near misses and minor incidents.</li> <li>▪ Calculate our AEIR during 2015, to give us a benchmark for improvement.</li> </ul>	<p><b>25%</b> reduction in our AEIR 2015 benchmark</p>

## Marketplace

Our marketplace vision is to provide an excellent experience to our clients and their customers. We will do this by working with the best qualified supply network partners, setting standards for ethical and responsible procurement and delivering lower-impact products and services.

### Focus area

### The issues we face and what we aim to achieve

### Our 2020 target

#### Client experience

High levels of client and customer satisfaction are essential to delivering sustainable long-term growth. To understand how our customers view us and drive business improvement, we will:

- Introduce a standard client satisfaction measurement across the business, to identify and then share excellent practice.
- Benchmark our net promoter score during 2015, to give us an indication of customer loyalty, and set a target from 2016.

**90%**  
client and customer satisfaction

#### Citizenship and community engagement

The reputations of Kier, our clients and our supply chain partners depend on how we deliver our services and engage with our stakeholders. To protect and enhance those reputations, we will:

- Add value to our communities and other stakeholders through positive engagement, mitigating any negative impacts from our work and ensuring a highly professional appearance for our schemes.
- Benchmark our performance for appropriate work streams using the Considerate Constructors Scheme.
- Implement and monitor a Group Code of Conduct for positive citizenship.

**80%**  
average score in the Considerate Constructors Scheme

#### Sustainable supply chain

To deliver the highest standards on every project, we will:

- Employ the best supply network partners, who understand our culture and can meet or exceed our clients' needs.
- Work collaboratively with our supply network partners, so they bring new ideas to our business.
- Encourage our partners to participate in the Supply Chain Sustainability School.

Record and report the number engaging with the Supply Chain Sustainability School

#### Labour standards and human rights

Around 30,000 people work on our projects every day. We must:

- Ensure they all come to work, knowing they will go home safely.
- Respect human rights, treating all employees and contractors fairly, legally, and with respect and dignity.
- Meet the principles of the United Nations Universal Declaration of Human Rights and the core International Labour Organisation Convention areas, which are reflected in our approach to responsible procurement.

No discrimination workplace  
Democracy  
Empowered employees  
No slavery  
No child labour

#### Materials standards

We procure directly and through our supply chain partners. We have identified the types of products that pose the greatest risk to social and environmental well-being and have set standards for purchasing them. We will:

- Procure the specified categories in line with our standards.
- Influence our clients' choices, to reflect our commitment to sustainable whole-life solutions.

**100%**  
compliance with materials standards relating to environmental and social quality



## Governance

Our governance vision is to continue working with our stakeholders to identify the material issues for our business and in our relationship with them. We will set clear strategic goals, report our progress each year and subject this to external scrutiny and assurance.

Focus area	The issues we face and what we aim to achieve	Our 2020 target
<b>Stakeholder engagement</b>	<p>The involvement of our stakeholders in developing this strategy has been key. They helped identify the issues material to them in their relationship with us.</p> <ul style="list-style-type: none"> <li>▪ We will continue to engage with our stakeholders on at least an annual basis.</li> <li>▪ We will have our approach to sustainable business reviewed annually by the independent 'Business in the Community' (BITC).</li> </ul>	Annual independent review of our approach by BITC
<b>Governance - Reporting and assurance</b>	<p>Kier currently reports to the Global Reporting Initiative's internationally recognised G3 guidelines. In support of our work to identify material issues and engage our stakeholders, we will develop our reporting by:</p> <ul style="list-style-type: none"> <li>▪ Adopting GRI's latest G4 guidelines by 2016.</li> <li>▪ Fully integrating reporting with assurance into our annual report and accounts by 2020.</li> </ul>	<b>G4</b> integrated reporting to GRI G4 standard
<b>Governance - Risk and opportunity</b>	<p>In developing our Vision 2020 business plan and this supporting strategy for a sustainable business, we identified and addressed the risks and uncertainties that could cause us to miss our ambitious growth plans.</p> <p>Conversely, we also tried to identify opportunities to protect our profitability by becoming more efficient, growing market share and being the service provider of choice.</p>	Refresh our business planning cycle to quantify risk and opportunity across non-financial issues
<b>Business ethics</b>	<p>By operating safely, openly and ethically throughout our operations and our supply chain, we should avoid anyone feeling that they can only raise issues confidentially. We therefore:</p> <ul style="list-style-type: none"> <li>▪ Commit to respond to any incidents reported to our whistleblowing service within our defined response time.</li> </ul>	<b>0</b> overdue whistleblowing incidents
<b>Reward scheme</b>	<p>We need to ensure that we incentivise our people to deliver the sustainability outcomes we are targeting.</p> <p>By 2017, we will therefore introduce an executive reward scheme that creates a clear link between performance across a set of environmental and social issues, as well as the more traditional health, safety and financial measures.</p>	Review and introduce reward scheme elements awarded on non-financial performance by 2017



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