Responsible Business, Positive Outcomes

Strategy for a sustainable business
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GOVERNANCE
Business in the Community (BITC)
91%  (2016: 87%)

PEOPLE AND COMMUNITIES
Accident incidence rate (AIR)
130  (2016: 211)

MARKETPLACE
Customer satisfaction
91%  (2016: 90%)

ENVIRONMENT
Reduction in carbon dioxide emissions
14%  (2016: 27%)
Strategy for a sustainable business

Operating a safe and sustainable business is one of Kier’s six strategic priorities. The material choices we make can have a lasting impact on the world around us; we strive to make this impact a positive one.

By seeking innovative means of delivery – and working collaboratively with our suppliers, contractors and clients – we can maximise the generation of positive social impact and minimise our negative environmental impact. Our strategy for a sustainable business, Responsible Business, Positive Outcomes (RBPO), outlines our plans to achieve this. It has four key themes, (see page 1 and 4/5), which support the financial targets set for the group’s business strategy.

Kier is a leading investor, builder and maintainer of the UK’s essential assets. We operate across a wide range of sectors, including defence, education, health, highways, housing, industrial, power, property, transport and utilities. With around 18,000 direct employees, UK and overseas operations, and a large number of subcontractor and supplier partners working with us, it is of fundamental importance to operate safely and sustainably; this is one of our six strategic priorities.

Our vision is to be a world-class, customer-focused company that invests in, builds, maintains and renews the places where we work, live and play. To achieve this, we embarked on an ambitious plan – Vision 2020 – to grow our market share and expand our services. This will deliver enhanced returns for our shareholders and create value for society and the environment. We developed this strategy with stakeholder engagement, allowing us to understand the issues most material to them and address their priorities in our decision-making.

This update to RBPO comes midway through Vision 2020. We have reviewed our progress against our commitments and outline our next steps. We have made significant progress against our strategy and met six of our targets ahead of plan; those targets have been revised to drive further performance improvements and enhance our positive impact.

Updates on the delivery of the targets in this strategy document can be found on our website, as well as in Kier’s annual report and accounts, and corporate responsibility report.

Identifying risk and opportunity

Kier is in a strong position to meet the demand within our sectors. We must continue to be dynamic in our approach to risk management.

Our changing world presents risks and opportunities for Kier. The population of the UK is set to grow; by 2024, the number of people aged over 75 will have increased by 35%, and the number of children in the 5 to 15-year bracket by 13%. Investment in infrastructure – including social infrastructure, such as hospitals and schools – is critical to support economic prosperity for our expanding population. A larger population will also require more homes, and these will need to be served by physical and digital shopping facilities.

Kier has the capability to build retail and distribution centres, and to provide the digital infrastructure to support home and business broadband connections. All of this puts us in a strong position to meet the demand within our sectors. We must continue to be dynamic in our approach to risk management, to ensure Kier is a robust and thriving business.

With the increasing importance of sustainability in the bidding process – and ethical business practice being important to our stakeholders – sustainability requirements were included as a new principal risk and uncertainty for Kier in 2017. This also reflects the fluid regulatory environment in which we operate.
**OUR 2020 ROADMAP**

### Governance
- **Business Ethics**
  - Rollout of Code of Conduct completed
- **Stakeholder Engagement**
  - Annual submission to Business in the Community CR Index
  - Annual stakeholder engagement forum

### People and Communities
- **Safety, Health and Wellbeing**
  - Enhanced supply chain partner training
  - Introduce health risk surveillance and sickness absence programme
- **Engagement and Retention**
  - Full employee engagement survey and results
  - Extend Kier’s flexible employee benefits
- **Society**
  - Shaping your world: train 200 Kier ambassadors and engage with 10,000 schoolchildren per year

### Marketplace
- **Sustainable Supply Chain**
  - Improved procurement and commercial processes to address modern slavery
  - Develop and launch compliance audit programme
- **Customer Satisfaction**
  - Review group-wide compliments and complaints procedure
  - Develop and launch quarterly results dashboard

### Environment
- **Carbon**
  - Reduce energy consumption by 30% by 2030
  - Deliver business cases for energy efficiency projects
- **Waste**
  - Introduce resource management and circular economy plans
  - Identify packaging waste solutions

### Outcomes
- **2018**
  - 10% reduction
  - 100% of relevant employees trained

- **2019**
  - Review and update training as necessary
  - Audit programme expanded to subcontractors

- **2020**
  - Achieve 90% in BITC CR index
  - Zero accident incidence rate
  - 10% reduction in sickness absence
  - 5 days training per employee
  - 75% employee engagement
  - Generate positive social impact equivalent to 10% of turnover

Find out more on our website at [www.kier.co.uk](http://www.kier.co.uk)
Governance

Kier has embedded RBPO into the way it does business by developing governance processes that support our values and culture. Our vision is to continue working with our stakeholders to identify the 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.

**STAKEHOLDER ENGAGEMENT**

Our 2020 target is a score of 90% in the Business in the Community (BITC) Corporate Responsibility (CR) index. We aim to maintain this performance and recognise potential areas for improvement, to create better outcomes for our business and stakeholders.

Continued stakeholder engagement is key to Kier, as it allows us to recognise the issues our stakeholders see as material to their relationship with Kier. We meet with stakeholders on an annual basis, to provide more detail on these issues.

**2020 target**

**90% BITC**

**2017 performance:**
Annual independent review by BITC, score of 90%. This target remains, and our performance in 2017 was 91%

Continue our process of stakeholder engagement

**REPORTING AND ASSURANCE**

We have adopted the latest Global Reporting Initiative (GRI) standards. We will continue to adopt our reporting and aim to reach our target of fully integrated reporting, with assurance, in our annual report and accounts by 2020. Our reporting guidelines are available on our website. Our corporate responsibility report summarises our performance, our future plans and our strategy.

**2020 target**

**Integrated reporting to GRI standards**

**2017 performance:**
Standards adopted and reporting guidelines published

**BUSINESS ETHICS**

Since the launch of the Code of Conduct in 2016, all employees have had a copy and training made available to them. Training is now incorporated into inductions for new starters. We will continue to deliver training across the group through toolbox talks, training sessions and online learning modules. We remain committed to responding to any incidents reported to our whistleblowing service within our defined response time.

**2020 target**

All relevant employees trained on the Code of Conduct

**2017 performance:**
6,000 employees have received in-depth training so far

**REWARD SCHEME**

During 2017, the remuneration policy for executive directors was reviewed, with input from our investors. As a result, there will be a revised policy in the next financial year, including a wider set of non-financial performance indicators.

**2020 target**

Incorporate non-financial measures in remuneration

**2017 performance:**
New non-financial measures incorporated into executive directors’ remuneration policy

**RISK AND OPPORTUNITY**

Continuous stakeholder engagement has identified that safety and social value are of increasing importance. We addressed this in our approach to risk management. Since 2017, sustainability requirements have been included as a new principal risk and uncertainty by Kier. As a result, we have made good progress towards our target of quantifying non-financial risks and opportunities.

**2020 target**

**Quantify non-financial risks and opportunities**

**2017 performance:**
New risk process introduced
People and communities

Our vision 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, supporting wellbeing, and giving to charities and voluntary organisations.

SAFETY, HEALTH AND WELLBEING

Safety is vital to Kier. To achieve a zero accident incidence rate (AIR) by 2020, we will:
- Reinforce the use of our improved Safety, Health and Environment (SHE) management system
- Drive our Visible Leadership programme, with a focus on 300 site and project visits per month
- Provide enhanced training to our supply chain partners, so Kier standards and safe systems of work are understood
- Extend our wellbeing programme and reduce sickness absence by 10% each year to 2020

2020 target
Zero AIR
2017 performance:
130 AIR, 38% reduction
5,861 Visible Leadership tours

EMPLOYEE ENGAGEMENT AND RETENTION

To meet our growth ambitions, we have to identify, recruit, retain and develop the best people. So we will:
- Provide better in-house training and benefits to retain employees, and enhanced programmes for new starters to encourage people to join
- Continue conducting pulse surveys and look to implement this through the development of a new app
- Focus on innovation, leadership and training
- Publish a wellbeing strategy to promote health and wellbeing within our workforce, increasing engagement

2020 target
75% employee engagement
2017 performance:
56% employee engagement

TRAINING, EDUCATION AND APPRENTICESHIPS

To remain a leading investor, builder and maintainer within our target sectors, we need a well-supported and competent workforce. We need to offer our workers high-quality training and development, so they can strive to be their best and help drive the growth of our business.

This year, we were below target, with 2.4 training days per employee – but this will improve, as we have introduced our Taleo recruitment and people management system to help drive training.

2020 target
5 training days per employee
2017 performance:
2.4 training days per employee

SOCIETY AND COMMUNITY

Social impact has become a central driver in the bidding process and is a key commitment for Kier. Benefiting the communities in which we work is essential to us building a better future. During the year, we increased social impact to £52m. We also launched Shaping Your World, as part part of our overall approach to generating positive social impact.

Since July 2016, the Kier Foundation has generated more than £300,000 to our partner, the Alzheimer’s Society, and donated funds to another 130 good causes.

2020 target
Generate social impact equivalent to 10% of Kier’s revenue
2017 performance:
Total social value was £52m
Launched Shaping Your World, aiming to engage with 10,000 school pupils per annum about careers in our industry

DIVERSITY

In a highly competitive market, creating a balanced business, with an inclusive culture and a diverse, talented workforce is essential. It is even more imperative given the skills shortages in the sectors in which we operate. We have set a goal to improve the diversity of our graduates, apprentices and trainees, against which we are making strong year-on-year progress. To meet our 2020 target, we continue to expand our Balanced Business Network, which raises awareness of and promotes a more inclusive and diverse workforce. To find out more about the network, see our corporate responsibility report.

2020 target
70:30 male to female ratio for graduate, trainee and apprentice recruits
2017 performance:
68:32 graduate recruitment
Balanced Business Network launched
Marketplace

We will deliver high levels of customer satisfaction, by working with the best qualified supply network partners, setting standards for ethical and responsible procurement and delivering lower impact projects and services.

2020 target
90% customer satisfaction
2017 performance:
605 surveys were completed during the year and we scored a 91% customer satisfaction rate, tracking ahead of our 2020 target

2020 target
New measure to be in place
2017 performance:
Our Building UK business still uses CCS and, in 2017, registered 135 schemes, winning 41 awards (10 golds), hitting its target of 80% (40/50) compared with the industry average of 72%. 2018: look to develop a new process or matrix

2020 target
New pre-qualification requirements introduced and 80% of subcontractors to have completed the process
2017 performance:
In the last full reporting year, the number of our supply chain partners who signed up to the school increased by 18%
Environment

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

CARBON
As a result of achieving our 2020 target four years early, Kier launched a new, ambitious energy strategy, 30 by 30. This aims to reduce energy consumption by 30% by 2030. To achieve this, we will:
- Encourage the selection of hybrid cars
- Work alongside our supply chain to find more energy efficient solutions
- Establish more efficient sites and offices

2020 target
Reduce energy consumption in line with our 30 by 30 strategy

2017 performance:
2020 target achieved ahead of plan – updated target of 30% less energy consumed by 2030

BIODIVERSITY
Biodiversity is important to Kier. Changes in our dynamic business mean our original metric is now not appropriate, but we continue to report on the number of projects delivered in line with the guidance from the Biodiversity Interest Group (BIG) challenge.

2020 target
Report the number of BIG challenges delivered

2017 performance:
Kier made 27 submissions and won three awards – pollinator award; maintenance and management award; and BIG biodiversity champion

WASTE
Our significant waste reduction is primarily down to a better focus on material management, structural change within the business, recovery of waste material and improved waste-data capture. We will continue to make waste reduction a priority, and have recast our target in line with our energy efficiency strategy. Our target is to introduce resource efficiency action plans and achieve a 30% reduction in construction material waste by 2030, with 2017 as our benchmark year.

2020 target
New long-term waste management strategy and resource efficiency action plans

2017 performance:
We achieved a 27% reduction – a new target of a 30% reduction in construction material waste by 2030 has been set

ENVIRONMENTAL INCIDENTS
Minimising the impact we have on our environment remains key for Kier. To improve further and meet our aim, we will:
- Ensure that we capture and monitor data effectively, using a data-reporting platform with the ability to record both the type and impact of environmental incidents
- Inform environmental training programmes
- Report our successes and failures in preventing incidents, to learn from our experiences and eliminate future failures

2020 target
All environment incidence rate (AEIR) – 20% year-on-year reduction

2017 performance:
12% reduction in AEIR

WATER
Water is a scarce resource in many places where we operate – hence our target to reduce water consumption. We aim to:
- Be more water efficient
- Introduce water monitoring and establish a robust benchmark
- Extend efficiency to our international operations

2020 target
10% reduction from a 2015 baseline

2017 performance:
Water consumption fell by 5%