Chairman's introduction to governance

Governance

"Good governance is important to the day-to-day running of our business."

Dear shareholder

Corporate governance plays an important role in the running of the business. In this part of the Annual Report, we describe governance at Kier, the principal activities of the Board and its committees during the 2019 financial year and how Kier has applied the principles of, and complied with the provisions of, the UK Corporate Governance Code (April 2016 edition) (the Code). The new version of the Code has applied to Kier since 1 July 2019.

Leadership – Board composition

There were a number of changes to the Board during the year. Nigel Brook and Nigel Turner stood down from the Board on 1 August 2018 and, at the same time, Claudio Veritiero was appointed to the role of Chief Operating Officer.

Nick Winser retired from the Board following the conclusion of the November 2018 AGM and was succeeded as the Chair of the Safety, Health and Environment Committee by Kirsty Bashforth.

In January 2019, Haydn Mursell stood down as Chief Executive. Andrew Davies was appointed as Chief Executive with effect from 15 April 2019. Bev Dew will stand down from the Board by 30 September 2019 and Simon Kesterton will then assume the role of Chief Financial Officer.

Earlier in September 2019, I announced that I would retire as Chairman and step down from the Board once a successor has been appointed. The search process for a new Chairman has begun.

Effectiveness – Board evaluation

This year, the Board undertook an internally-facilitated evaluation, a summary of the results of which is set out on page 58. Whilst the evaluation focused on the significant challenges faced by the Board during the year – in particular, the rights issue and its impact on the business and its key stakeholders – it also identified a number of areas for the Board to focus on in 2020 as it oversees the implementation of the conclusions of the strategic review which were announced in June.

Remuneration

Our remuneration policy was last approved by shareholders at the 2017 AGM. Details of how we implemented the policy in the 2019 financial year (including with respect to the changes to the Board made during the year) can be found in the Directors' Remuneration Report on pages 78 to 97 (inclusive). We will be reviewing the policy in 2020 and will ask shareholders to approve the new policy at the 2020 AGM.

Relations with shareholders

The Board recognises the responsibility it has to a wide range of stakeholders, including our shareholders, clients, workforce, subcontractors, suppliers and the communities in which we operate.

During the year, I and other members of the Board held a series of meetings with a number of shareholders about a range of matters, including the rights issue and, subsequently, the Group's performance and strategic objectives. Members of the Board conducted a number of visible leadership tours to the Group's sites during the year, providing an opportunity to understand the views of the workforce, our clients and the supply chain. During the 2020 financial year, the Board will formalise its approach to engagement with the workforce and will report on how it has done so in the 2020 Annual Report.

Further details about the Board's engagement with key stakeholders during the year are set out on pages 75 to 77 (inclusive).

I look forward to meeting shareholders at the AGM on 15 November 2019.

Philip Cox CBE
CHAIRMAN

26 September 2019

Governance in action

The Group's strategic actions are set out on page 11. A summary of the steps taken by the Board to support the delivery of these imperatives is as follows:

Strategic action	The Board's governance role	What we did in 2019	Outcomes of our actions
Simplify and focus	To review the Group's portfolio of businesses and its operating model	› Undertook a strategic review of the Group › Announced the disposal of Kier Living and other non-core assets › Oversaw the introduction of a new organisational structure	› Greater clarity of purpose for the Group › Simplified the Group's investment proposition › Simplified the Group's organisational structure
Improved cash generation	To oversee effective working capital management	› Oversaw changes in the Group's cash management processes › Accelerated the Future Proofing Kier (FPK) programme › Focused on commercial controls and contract management	› A reduction in the number of supply-chain payment days › Increased the 2019 annual run rate savings › Introduced a new contract risk governance framework
Strengthened balance sheet	To identify ways of reducing the Group's net debt	› Announced the disposal programme – see above › Reduced investment in the Property business › Announced the suspension of the dividend	› See 'Simplify and focus' for further information › Improved the Group's liquidity and cash flows › Retained the earnings and cash to reduce net debt

Explanation of non-compliance with the Code

The Company is subject to the UK Corporate Governance Code (April 2016 edition) (the Code). A full version of the Code can be found on the Financial Reporting Council's website: www.frc.org.uk.

The Company complies with all provisions of the Code other than Code provision B.2.3, which requires Non-Executive Directors to be appointed for specified terms. Whilst Philip Cox, Constance Baroudel and Adam Walker were each appointed for an initial term of three years, Kirsty Bashforth and Justin Atkinson were not.

Each Non-Executive Director's letter of appointment contains a notice period of one month (either way), or six months (either way) in the case of the Chairman, and his/her appointment is subject to annual re-election and to statutory provisions relating to the removal of directors. The Company's current policy is that all Directors, including the Non-Executive Directors, are subject to annual re-election at the Company's AGM and that, in the future, all Non-Executive Directors will be appointed for an initial three-year term.

Board statements

Under the Code, the Board is required to make a number of statements. These statements are set out in the following table:

Requirement	Board statement	Where to find further information
Compliance with the Code	The Directors confirm that, throughout the 2019 financial year, the Company complied with the provisions of the Code, except as described below, and continued to apply the main principles of the Code.	'Explanation of non-compliance with the Code' below. 'Application of the main principles of the Code' on page 51.
Going concern basis	The Directors are satisfied that the Group has sufficient financial resources to continue operating in the foreseeable future and, therefore, have adopted the going concern basis in preparing the Group's 2019 financial statements.	Financial review on pages 41 to 47 (inclusive). Strategic Report on pages 2 to 47 (inclusive). Principal risks and uncertainties on pages 32 to 37 (inclusive). 'Board statements – Going concern' in the Risk Management and Audit Committee report on page 67.
Viability statement	The Directors have assessed the viability of the Group over a three-year period ending 30 June 2022, taking into account the Group's current position and the principal risks and uncertainties set out on pages 32 to 37 (inclusive). Following this assessment, the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over this period.	Principal risks and uncertainties on pages 32 to 37 (inclusive). 'Viability statement' in the Strategic Report on pages 46 and 47.
Assessment of the principal risks facing the Group	The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Directors also assessed their appetite with respect to these risks and, via the Risk Management and Audit Committee (the RMAC), monitored the systems required to mitigate and manage them.	Principal risks and uncertainties on pages 32 to 37 (inclusive). 'Assessment of principal risks and risk appetite' in Accountability on page 62.
Annual review of systems of risk management and internal control	During the 2019 financial year, the Board monitored the Group's systems of risk management and internal control, via the RMAC, and carried out a review of their effectiveness. The conclusion was that, overall, these systems were effective.	'Systems of risk management and internal control – Risk management and internal control effectiveness review' in the Risk Management and Audit Committee report on page 66.
Fair, balanced and understandable	The Directors consider that this Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.	'Board statements – Fair, balanced and understandable review' in the Risk Management and Audit Committee report on page 66.

Application of the main principles of the Code

During the 2019 financial year, the Company continued to apply the main principles of the Code, as follows:

A. Leadership

A1 The Board's role The Board met on a number of occasions during the year: please see page 53 for further details. There is a schedule of matters reserved for the Board (please see page 52 for a summary), together with delegated authorities which apply throughout the Group.

A2 A clear division of responsibilities The roles of the Chairman and Chief Executive are clearly defined. The Chairman is responsible for the leadership and effectiveness of the Board. The Chief Executive is responsible for leading the day-to-day management of the Group within the strategy set by the Board.

A3 Role of the Chairman In conjunction with the Company Secretary, the Chairman sets the agendas for and manages Board meetings.

A4 Role of the Non-Executive Directors The Chairman promotes an open and constructive discussion during meetings of the Board. The Non-Executive Directors provide objective, rigorous and constructive challenge to management.

B. Effectiveness

B1 The Board's composition The Nomination Committee is responsible for regularly reviewing the composition of the Board. In recommending appointments to the Board, the Nomination Committee considers the range of skills, knowledge and experience required, taking into account the benefits of diversity on the Board.

B2 Board appointments The appointment of new Directors is led by the Nomination Committee. Further details of the activities of the Nomination Committee can be found on pages 59 to 61 (inclusive).

B3 Time commitments On appointment, Directors are notified of the time commitment expected from them which, in practice, goes beyond that set out in their letter of appointment. External directorships, which may affect existing time commitments, must be agreed in advance with the Chairman. During the 2019 financial year, there were no changes to the Chairman's other directorships.

B4 Induction, training and development All Directors receive an induction on joining the Board. Training is made available to members of the Board in accordance with their requirements. Please see page 56 for details of Andrew Davies' induction.

B5 Provision of information and support The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information.

B6 Board and committee performance evaluation During the 2019 financial year, the Board undertook an evaluation of its own performance. Details of the evaluation can be found on page 58.

B7 Re-election of Directors All Directors in office at the date of this Annual Report, other than Bev Dew, will be subject to re-election by shareholders at the 2019 AGM.

C. Accountability

C1 Financial and business reporting The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report, set out on pages 2 to 47 (inclusive), provides information about the performance of the Group, the business model, the Group's strategy and the risks and uncertainties relating to the Group's future prospects.

C2 Risk management and internal control systems The Board sets the Group's risk appetite and, via the RMAC, monitors and annually reviews the effectiveness of the Group's systems of risk management and internal control.

C3 Role and responsibilities of the Risk Management and Audit Committee The Board has delegated a number of responsibilities to the RMAC. The principal activities of the RMAC are summarised in the Risk Management and Audit Committee report on pages 64 to 72 (inclusive).

D. Remuneration

D1 Levels and elements of remuneration The Remuneration Committee sets levels of remuneration which are designed to promote the long-term success of the Group and structures remuneration so as to link it to both corporate and individual performance, thereby aligning management's interests with those of shareholders.

D2 Development of remuneration policy and packages Details of the activities of the Remuneration Committee can be found in the Directors' Remuneration Report on pages 78 to 97 (inclusive).

E. Relations with shareholders

E1 Shareholder engagement and dialogue The Board takes an active role in engaging with shareholders. The Board particularly values opportunities to meet with shareholders and other stakeholders and their views are discussed at Board meetings. Please see 'Relations with shareholders and other stakeholders' on pages 75 to 77 (inclusive).

E2 Constructive use of the AGM The AGM provides the Board with an important opportunity to meet with shareholders, who are invited to meet the Board following the formal business of the meeting.

Highlights

- Announcement of Andrew Davies as Chief Executive in March 2019
- Announcement of the strategic review in April 2019 and its conclusions in June 2019
- Decisive action announced to simplify the Group and reduce its net debt

FOR FURTHER INFORMATION ON KIER'S STRATEGY AND PERFORMANCE, PLEASE TURN TO PAGES 2 TO 47 (INCLUSIVE)

The Board

The Board is responsible for the effective leadership and the long-term success of the Group.

The Board has delegated certain of its responsibilities to the Board committees. The principal activities of each of these committees during the year are set out in their respective reports in this Annual Report*. The decisions which can only be made by the Board are clearly defined in the schedule of matters reserved for the Board. The full schedule of matters reserved for the Board is available on the Company's website at www.kier.co.uk/corporategovernance.

* The paragraphs under the heading 'The Remuneration Committee' on page 91 are incorporated by reference into this Corporate Governance Statement.

The matters requiring Board approval include, amongst others:

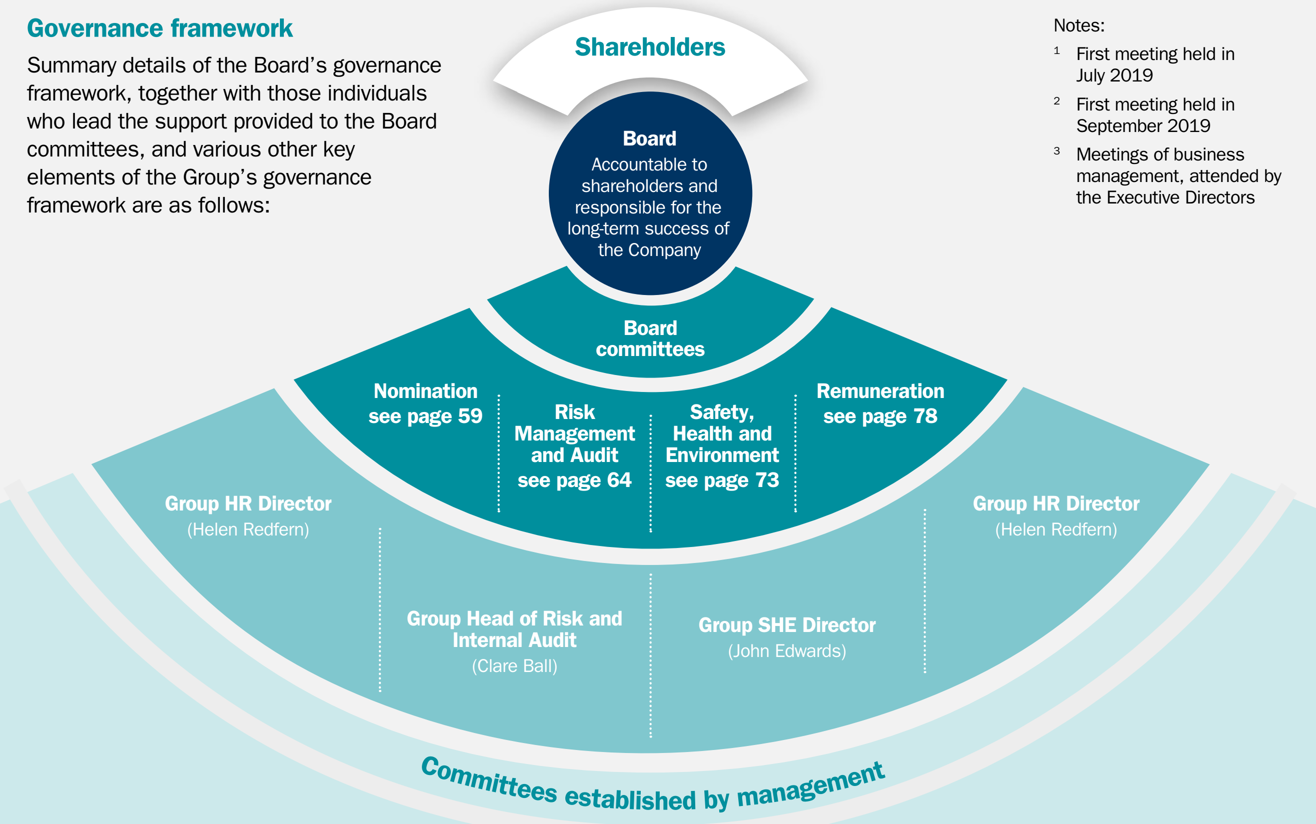
- the Group's strategy;
- mergers, acquisitions and disposals of a material size and nature;
- material changes to the Group's structure and capital;
- the payment of dividends;
- the approval of material Group policies; and
- material contract tenders and material investments.

The Executive Directors have significant commercial, financial and operational experience of the markets and sectors within which the Group operates. The diverse range of skills and leadership experience of the Non-Executive Directors enables them to monitor the performance of the Executive Directors and provide constructive challenge and support to them.

BIOGRAPHICAL DETAILS OF EACH OF THE DIRECTORS ARE SET OUT ON PAGES 54 AND 55

Governance framework

Summary details of the Board's governance framework, together with those individuals who lead the support provided to the Board committees, and various other key elements of the Group's governance framework are as follows:



Notes:
1 First meeting held in July 2019
2 First meeting held in September 2019
3 Meetings of business management, attended by the Executive Directors

Executive Committee[1]
- Reviews progress against strategy
- Decides significant HR matters
- Reviews material operational matters

Group Risk Committee[2]
- Reviews the management of operational risk
- Identifies areas for Internal Audit's review
- Provides a link between the business and the RMAC

Investment Committee
- Approves material investments made by the Group
- Reviews returns on capital for investments
- Reviews risks associated with investments

Group Tender Risk Committee
- Reviews material opportunities
- Reviews material tenders
- Advises on risks associated with tenders and opportunities

Quarterly Reviews[3]
- Assess the financial and operational performance of the business
- Consider material risks faced by the business
- Review engagement with key stakeholders

Board and committee meeting attendance

Board and Board committee meetings are typically held at the Group's London office in Foley Street. Board meetings were held in each month of the 2019 financial year, other than July, October, January and April.

Details of attendance by each Director at the principal Board and Board committee meetings during the 2019 financial year are as follows:

Director	Board (maximum 8)	Nomination Committee (maximum 8)	Remuneration Committee (maximum 4)	Risk Management and Audit Committee (maximum 4)	Safety, Health and Environment Committee (maximum 4)
Philip Cox	8	8	4	–	–
Justin Atkinson[1]	8	7	3	4	4
Constance Baroudel	8	8	4	4	4
Kirsty Bashforth	8	8	4	4	4
Nigel Brook[2]	–	–	–	–	–
Andrew Davies[3]	2	–	–	–	–
Bev Dew	8	–	–	–	–
Haydn Mursell[4]	4	–	–	–	–
Nigel Turner[2]	–	–	–	–	–
Claudio Veritiero	8	–	–	–	–
Adam Walker[5]	8	7	4	4	–
Nick Winser[6]	2	2	2	1	1

Notes:

1 Justin Atkinson did not attend the Nomination Committee and Remuneration Committee meetings in March 2019 due to prior business commitments. Mr. Atkinson provided any comments on the business considered at these meetings to the Chairs of the relevant committee.

2 Nigel Brook and Nigel Turner stood down from the Board on 1 August 2018. There was no Board meeting in July 2018.

3 Andrew Davies was appointed to the Board with effect from 15 April 2019. Mr. Davies attended all Board meetings since that date.

4 Haydn Mursell stood down from the Board on 22 January 2019. Mr. Mursell attended all Board meetings prior to that date.

5 Adam Walker did not attend the Nomination Committee meeting in February 2019 due to prior business commitments. Mr. Walker provided any comments on the business considered at that meeting to the Chair of the Nomination Committee.

6 Nick Winser stood down from the Board with effect from the conclusion of the AGM on 17 November 2018. Mr. Winser attended all Board and Board committee meetings prior to that date.

Since 1 July 2018, the Board and the Board committees held a number of other meetings (including via telephone) to discuss a number of other matters, including:

- July 2018: Nigel Brook and Nigel Turner leaving the Board and Claudio Veritiero's appointment as Chief Operating Officer;
- October – December 2018: the Company's rights issue;
- January 2019: Haydn Mursell leaving the Board and the appointment of Philip Cox as Executive Chairman;
- March 2019: the Group's revised net debt announcement and the appointment of Andrew Davies as Chief Executive;
- May and June 2019: Bev Dew leaving the Board, the conclusions of the strategic review of the Group and the announcements made in June 2019;
- July 2019: the appointment of Simon Kesterton as Chief Financial Officer Designate; and
- September 2019: the Chairman's succession.

Certain Executive Directors attended certain Board committee meetings during the year; please see the respective committee reports in this Corporate Governance Statement for further details.

The Board's role in the Group's culture

The Board recognises the important role that it plays in overseeing the Group's culture and members of the Board actively engaged with a number of the Group's key stakeholders during the year. A summary of how the Board engages with shareholders and other stakeholders is set out on pages 75 to 77 (inclusive).

The HR, SHE and internal audit functions play important roles in promoting and embedding the Group's culture; representatives from each of these functions attended meetings of the Board or its committees to provide updates on the steps they have taken to do so.

Since joining the Group, Andrew Davies has introduced a number of new ways of working, which are designed to create a culture of Performance Excellence. For example, Mr Davies has established an Executive Committee to consider key matters of Group-wide relevance and a Group Risk Committee to oversee the management of risk across the Group.

During the year, the Board has considered how it engages with its workforce. The Board agreed that the Chairman, the Chair of the Remuneration Committee and the Senior Independent Director would each be appointed as a 'designated Non-Executive Director' to facilitate meaningful, regular engagement with the workforce in accordance with a programme of engagement developed with the Group HR Director. Further information on the Board's engagement with the workforce during the 2019 financial year is set out on pages 21 to 25 (inclusive).

Members of the Board regularly undertake visible leadership tours of the Group's sites. These provide additional opportunities for the Board to engage with the workforce, our clients and the supply chain.

Board of Directors

1 – Philip Cox CBE (67)

Chairman

Tenure on Board: 2 years, 2 months

Independent: Yes (on appointment)

Committee memberships: N R

Relevant skills and experience:

- A chartered accountant, having trained and qualified at a predecessor firm of PwC
- Substantial financial, operational and strategic experience
- Formerly Chief Executive of International Power (from 2003 to 2013), Non-Executive Director and Senior Independent Director of Wm Morrison Supermarkets (from 2009 to 2015) and Chairman of Global Power Generation (from 2015 to 2017)

Principal current external appointments:

- Chairman, Drax Group since April 2015

2 – Andrew Davies (55)

Chief Executive

Tenure on Board: 5 months

Independent: No

Committee memberships: None

Relevant skills and experience:

- Strong track record of business leadership across a number of sectors
- Significant experience of mergers and acquisitions and strategy development and implementation
- Significant operational and corporate experience through senior roles and over 28 years with BAE Systems
- Formerly Chief Executive Officer of Wates Group Limited from 2014 to 2018

Principal current external appointments:

- Non-Executive Director and Chairman of the Remuneration Committee of Chemring

3 – Bev Dew (48)

Finance Director

Tenure on Board: 4 years, 8 months

Independent: No

Committee memberships: None

Relevant skills and experience:

- A chartered accountant, having trained and qualified at a predecessor firm of PwC
- 20 years' experience in the construction industry, with previous senior finance roles at Balfour Beatty, Lendlease, Redrow and Invensys Rail
- Significant experience in finance and capital structures
- Experience of ERP and other financial systems implementation programmes

Principal current external appointments:

- None

4 – Claudio Veritiero (46)

Chief Operating Officer

Tenure on Board: 4 years, 6 months

Independent: No

Committee memberships: None

Relevant skills and experience:

- Significant experience of a wide variety of corporate transactions during early part of career in investment banking at Rothschild
- Previous listed company board experience at Speedy Hire from 2007 to 2010
- Operational experience through previous role as managing director of the Services division
- Significant M&A experience, including as Kier's former Strategy and Corporate Development Director

Principal current external appointments:

- None

5 – Simon Kesterton (45)

Chief Financial Officer

Tenure on Board: since 26 August 2019

Independent: No

Committee memberships: None

Relevant skills and experience:

- A member of the Chartered Institute of Management Accountants
- Broad range of financial leadership experience in his former senior roles in the engineering and manufacturing industries
- Formerly Chief Financial Officer, Europe and Chief Strategic Officer at IAC Group and Group Finance Director of RPC Group plc from 2013 to 2019
- Significant experience of the implementation of cost reduction programmes

Principal current external appointments:

- None

6 – Justin Atkinson (58)

Senior Independent Director

Tenure on Board: 3 years, 11 months

Independent: Yes

Committee memberships: N R RA S

Relevant skills and experience:

- A chartered accountant, having trained and qualified at a predecessor firm of PwC
- Formerly Chief Executive of Keller Group from 2004 to 2015, where he previously held the roles of Group Finance Director and Chief Operating Officer
- Significant operational and financial experience through his previous and current roles
- In-depth knowledge of the construction sector, both in the UK and internationally

Principal current external appointments:

- Chairman of Forterra since May 2019 (formerly the Senior Independent Director and Chair of the Audit Committee of Forterra from April 2016)
- Non-Executive Director of Sirius Real Estate since March 2017 and James Fisher since May 2018
- Member of the Audit Committee of the National Trust since June 2015

7 – Constance Baroudel (45)

Non-Executive Director

Tenure on Board: 3 years, 2 months

Independent: Yes

Committee memberships: N R RA S

Relevant skills and experience:

- Significant experience of accounting and financial matters
- In-depth knowledge of operational performance and delivery matters
- Experience of developing corporate strategy through her former role as Group Director of Strategy at First Group
- Previous experience as Chair of the Remuneration Committee at Synergy Health

Principal current external appointments:

- Divisional Chief Executive, Medical & Environmental Sector of Halma since September 2018

8 – Kirsty Bashforth (49)

Non-Executive Director

Tenure on Board: 5 years

Independent: Yes

Committee memberships: N R RA S

Relevant skills and experience:

- In-depth global, commercial, safety and risk management and operational experience, following 24 years at BP
- Strong track record in change management and organisational effectiveness
- Founder and CEO of Quayfive, advising on organisational dynamics
- Wide range of experience in a variety of human capital areas, including engagement, diversity and ethical working practices

Principal current external appointments:

- Non-Executive Director of Serco since September 2017 and Chair of the Corporate Responsibility Committee
- Non-Executive Director and Chair of the Remuneration Committee of Diaverum AB since March 2019

9 – Adam Walker (51)

Non-Executive Director

Tenure on Board: 3 years, 8 months

Independent: Yes

Committee memberships: N R RA

Relevant skills and experience:

- A chartered accountant, having trained and qualified at a predecessor firm of Deloitte
- Formerly Group Finance Director of GKN from 2014 to 2017 and Chief Executive of GKN Land Systems
- Wealth of experience in financial matters, through his current role at IHS Holding and previous roles as finance director at three listed companies
- Detailed knowledge of systems of risk management and internal control

Principal current external appointments:

- Executive Vice President and Chief Financial Officer of IHS Holding Limited since November 2017

Board committees key

- N Nomination Committee
- R Remuneration Committee
- RA Risk Management and Audit Committee
- S Safety, Health and Environment Committee
- ☐ Chair of the Committee

Changes to the Board of Directors

- Nigel Brook and Nigel Turner stood down from the Board on 1 August 2018;
- Claudio Veritiero was appointed as Chief Operating Officer on 1 August 2018;
- Nick Winser did not stand for re-election at the 2018 AGM;
- Kirsty Bashforth became Chair of the SHE Committee with effect from the conclusion of the 2018 AGM;
- Haydn Mursell stood down from the Board on 22 January 2019;
- Andrew Davies was appointed as Chief Executive with effect from 15 April 2019;
- Simon Kesterton was appointed as Chief Financial Officer Designate with effect from 26 August 2019;
- Bev Dew will stand down from the Board by 30 September 2019; and
- Phil Cox will stand down from the Board once a successor to him as Chairman has been appointed.

Highlights

- Completion of Andrew Davies' induction
- 2018 Board effectiveness review actions implemented
- A number of other changes made to the Board

FOR FURTHER INFORMATION ON HOW THE NOMINATION COMMITTEE OPERATES, PLEASE TURN TO PAGES 59 TO 61 (INCLUSIVE)

Director induction

On joining the Board, Directors undertake a comprehensive and tailored induction programme, the purpose of which is to provide them with an in-depth understanding of the business and how it operates. By way of example, a summary of the induction undertaken by Andrew Davies following his appointment to the Board is as follows:

Meetings with the Chairman, other members of the Board and the Company Secretary

Meetings with major shareholders

Briefings from the Company's advisers, including its financial advisers, corporate brokers and external and internal auditors

Meetings with Bain, the lead advisers on the Future Proofing Kier (FPK) programme

A number of visible leadership tours across the business

Meetings with heads of corporate functions and business management

Introductory meetings with a number of clients, including the Cabinet Office, Highways England, Homes England and HS2

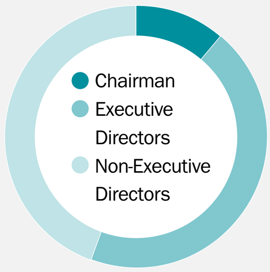
Introductory meetings with the pension trustees, lending banks and other credit institutions

Board composition

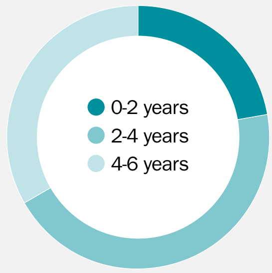
As at the date of this Annual Report, the Board comprises nine Directors, of which five are Non-Executive Directors (including the Chairman) and four are Executive Directors.

Please see page 55 for the changes to the Board which have been announced since 1 July 2018.

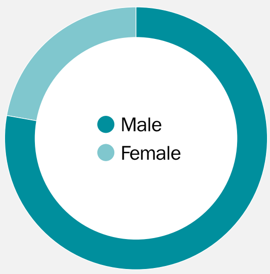
Board composition



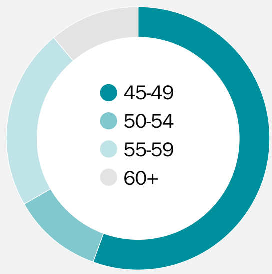
Board tenure



Board balance



Board age



2018 Board evaluation – progress against feedback

The 2018 Board evaluation highlighted a number of areas of focus for the Board in 2019. A summary of progress against these areas is as follows:

Area of focus	Specific areas of focus	What did the Board do in 2019?
Reporting / financial matters	› Continue to ensure the timely reporting of key risk issues	› Reviewed the key risks relating to the Group in the context of the November 2018 rights issue prospectus › Announced key risks – for example, the Broadmoor contract provision and the volume pressures in Highways, Utilities and Housing Maintenance
	› Continue to challenge the effective management of net debt and working capital	› Announced a reduction in the Group's net debt as being a key element of the new Chief Executive's strategic review in April 2019 › Announced the sale of Kier Living and reduction in the level of capital invested in Property
Risk	› Continue to review the Board's risk appetite	› Reviewed key risks relating to the Group (for example, relating to SHE matters and contract management) at Board meetings during the year › Reviewed and agreed the Group's 'Principal risks and uncertainties': please see pages 32 to 37 (inclusive)
	› Following the review of the Group's key commercial controls, oversee the implementation of the actions	› Oversaw and challenged management's implementation of the action plan during the year › Oversaw the introduction of a revised contract governance framework and the appointment of a Group Commercial Director
Succession planning	› Challenge management to develop the pipeline of future Board members and increase diversity in the business	› Via the Nomination Committee, oversaw management's development of the succession plan › Via the Nomination Committee, oversaw management's initiatives to increase diversity within the business
	› Increase the Board's engagement with individuals identified on the Board's succession plan	› Individual meetings held between Non-Executive Directors and members of the succession plan › Members of the senior succession plan attended Board or Board committee meetings during the year
Strategy	› Identify (i) the Group's core and non-core assets and (ii) the strategy with respect to each set of assets	› Identified the Group's non-core businesses in the Company's announcement of 17 June 2019 › Announced its strategy to dispose of the non-core businesses at the same time

2019 Board evaluation

The process

The 2019 Board evaluation was led by the Chairman, with the assistance of the Company Secretary. The evaluation focused on a number of areas, including:

The Board's decision-making during the financial year	Areas of focus for the Board during 2020	The interaction between members of the Board	The operation of the Board committees

April

Completion of questionnaire

Each Board member was sent a questionnaire to complete

May

Evaluation of responses and feedback relating to the Chairman

The Company Secretary compiled a report based on the feedback received from Board members and discussed the draft conclusions with the Chairman

The Senior Independent Director met the Executive Directors, the other Non-Executive Directors and the Company Secretary to obtain feedback relating to the Chairman

The Chairman and the Senior Independent Director met to discuss feedback relating to the Chairman

June

Board discussion

The Board reviewed the feedback and discussed the principal areas of focus for 2020

July – September

Annual Report disclosure

Drafting of the Annual Report disclosure relating to the evaluation

Conclusions

The responses to the questionnaire acknowledged that the 2019 financial year had been very challenging for the Group and the Board. In particular, the feedback provided the Directors' views on the 2018 rights issue, the changes in the executive team announced during the year and the announcement relating to the Group's net debt position in March 2019. The Board agreed that the announcement of the conclusions of the strategic review on 17 June 2019 set out clear priorities for the Group and the Board and, in light of this announcement and the feedback from the evaluation, agreed the following areas of focus for the 2020 financial year:

Area of feedback	Specific areas of focus for 2020	Why?
Implement conclusions of strategic review	› Reduce the Group's net debt › Dispose of non-core businesses	› Strengthen the Group's balance sheet › Simplify the Group
Maximise benefits of FPK programme	› Deliver the targeted headcount reductions › Deliver the cost reduction targets	› Reduce the Group's overheads › Increase the Group's efficiency
Appoint new Chief Financial Officer	› Appoint the new Chief Financial Officer in a timely fashion	› Strengthen the oversight of the Group's finance function
Engagement with the Group's workforce	› Designated Non-Executive Directors to engage with the workforce	› Understand the views of the Group's workforce

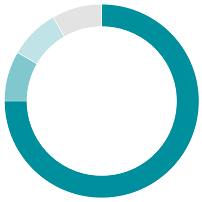
Nomination Committee report

"During 2019, the Committee has overseen a number of changes to the Board's composition."

Chair
Philip Cox CBE

Other Committee members
Justin Atkinson
Constance Baroudel
Kirsty Bashforth
Adam Walker

Allocation of time



Dear shareholder
I am pleased to present the Nomination Committee report, which provides a summary of the Committee's activities during 2019.

Role
The role of the Committee includes:

- reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes;
- reviewing the succession plan for the Board and senior management, promoting diversity and taking into account the challenges and opportunities facing the Group and the skills and expertise needed on the Board in the future; and
- taking an active role in setting diversity objectives and strategies for the Group.

THE TERMS OF REFERENCE FOR THE COMMITTEE CAN BE VIEWED ON THE COMPANY'S WEBSITE AT WWW.KIER.CO.UK/CORPORATEGOVERNANCE

Committee composition and meeting attendance
The names of the members of the Committee are set out above.

At the invitation of the Committee, any other Director may attend meetings of the Committee. During the year, the Chief Executive and the Group HR Director attended meetings to discuss Executive Director succession planning.

The secretary of the Committee is the Company Secretary, Hugh Raven.

Details of the Committee's meetings during the year, and attendance at those meetings, are set out on page 53.

Committee performance evaluation
The 2018 Board evaluation identified the need for the Committee to:

- challenge management to develop the pipeline of future Board members and increase diversity in the business; and
- increase the Board's engagement with individuals identified on the Board succession plan.

During the year, there were a number of changes to the Board. Following the appointment of a new Chief Executive and a new Group HR Director, the Committee expects to refresh the Group's approach to succession planning in the 2020 financial year.

Although the Board had met a number of senior members of staff (for example, by inviting them to attend Board or committee meetings and when undertaking visible leadership tours), it will continue to identify further opportunities to interact with those on the succession plan.

Principal activities – 2019 financial year
A summary of the principal matters considered by the Committee during the year is as follows:

Board changes
On page 70 of the 2018 Annual Report, we summarised the changes to the Board which took place early in the 2019 financial year.

On 22 January 2019, we announced that Haydn Mursell would stand down as Chief Executive and from the Board and that, pending the appointment of his successor, I would take on the role of Executive Chairman.

The Committee appointed Lygon Group (Lygon) to conduct a search for candidates for the role of the new Chief Executive. As an initial step, the Committee agreed a role profile with Lygon, which referred to the following key characteristics and experience:

- previous experience of the plc environment;
- experience of operating within the construction or related sectors; and
- a reputation for delivering shareholder value.

The Committee reviewed the list of candidates put forward by Lygon and then interviewed selected candidates. Following this process, Andrew Davies was identified as the preferred candidate, the Committee noting, in particular, Andrew's:

- 28 years of experience with BAE Systems plc, across a range of senior corporate and operational roles;
- strong track record of business leadership and operational experience across a number of sectors; and
- strategic approach.

The Committee therefore agreed to recommend Andrew's appointment as Chief Executive to the Board.

On 19 March 2019, we announced that Andrew had been appointed as Chief Executive with effect from 15 April 2019 and that I would stand down from the role of Executive Chairman on that date.

On 7 May 2019, we announced that Bev Dew would stand down as Finance Director and from the Board by 30 September 2019.

The Committee again appointed Lygon to conduct the search for potential Chief Financial Officer candidates. The role profile included the following key characteristics and experience:

- previous experience as a Chief Financial Officer of a listed company;
- experience in investor relations; and
- strong experience in managing cash and engaging with credit institutions.

The process for selecting a preferred candidate was similar to that used in relation to the new Chief Executive. At the conclusion of this process, Simon Kesterton was identified as the preferred candidate, the Committee noting, in particular, Simon's:

- previous experience as Group Finance Director of RPC Group plc;
- role in implementing programmes which focus on the disposal of non-core assets; and
- experience in cost reduction programmes.

The Committee therefore agreed to recommend Simon's appointment as Chief Financial Officer to the Board.

On 1 August 2019, we announced that Simon had been appointed as Chief Financial Officer Designate with effect from 26 August 2019 and Chief Financial Officer from the date on which Bev Dew stands down from the Board.

On 19 September 2019, I announced that I would retire as Chairman and step down from the Board once a successor has been appointed. The Committee has again engaged Lygon to conduct the search, further details of which will be included in the 2020 Annual Report.

Executive Director/senior management succession planning

On page 70 of the 2018 Annual Report, we summarised some of the key elements of the programme which management had implemented to identify a pipeline of future Board members. During the 2019 financial year, management has continued to monitor and develop this pipeline, reporting on progress to the Committee. A summary of some of the key actions by management taken during the year is as follows:

Action	Why?	Next steps
Reviewed senior management team's bench strength	To identify high performers and weaknesses in the succession plan	Continue to monitor individuals' performance and develop their skills
Swapped members of the succession plan into new roles	To provide a greater breadth of experience	Consider swapping others and monitor those in new roles
Reviewed senior level talent and succession matrix	To assess the progress of identified high performers	Continue to review to understand progress of key individuals
Engagement with the Group's workforce	Designated Non-Executive Directors to engage with the workforce	To understand better the views of the workforce

Diversity

Board diversity policy

The Board recognises the benefits of diversity as an important element in its effectiveness.

The Board approved a diversity policy for the Board in March 2018. A summary of the principal commitments set out in the policy and progress against them in the 2019 financial year is as follows:

Commitment	Progress in 2019
Candidate lists to reflect the benefits of diversity and priority to be given to search firms which have signed up to the Voluntary Code of Conduct for Executive Search Firms	Lygon, a signatory to the code, was instructed to identify a diverse list of potential candidates for the roles of Chief Executive and Chief Financial Officer
Candidates for Non-Executive Directors to be considered from a wide pool of individuals	No Non-Executive Directors appointed during the 2019 financial year
Develop and implement policies, programmes and initiatives designed to promote diversity and inclusion	Please see 'Action taken during 2019' below for steps taken by management during the 2019 financial year
Increase the number of female members of the Board and senior management, in light of the FTSE 350 target of 33% representation on boards and leadership teams by 2020	No change to the number of female members of the Board. No material change to the number of female members of senior management

In light of the challenges relating to increasing the number of female members of the Board and senior management, management has introduced a number of initiatives and programmes which are designed to increase the number of women at all levels of the organisation and identify, develop and retain female talent and senior leaders.

Action taken during 2019

Examples of the initiatives and programmes introduced by management during the 2019 financial year in relation to increasing female diversity within the Group include:

- the development of diversity action plans by the Group's principal businesses;
- a centrally-operated talent mapping exercise to identify potential external female candidates;
- conducting a survey into female expectations about the workplace, designed to develop the Group's female talent retention and career acceleration; and
- working with Women in Science and Engineering to encourage women in their careers in the built environment.

During the 2020 financial year, management will continue to monitor the effectiveness of these and other initiatives which are designed to increase the diversity of the Group's workforce.

Re-election of Non-Executive Directors

The tenures of the Non-Executive Directors are set out on pages 54 and 55. The Board is satisfied that each of the Non-Executive Directors is able to commit sufficient time to the Company. Accordingly, resolutions to re-elect each of the Non-Executive Directors will be proposed at the forthcoming AGM.

Conclusion

I will be available to answer any questions about the Committee, its work and how it operates at the AGM on 15 November 2019.

Philip Cox CBE
CHAIR OF THE NOMINATION COMMITTEE

26 September 2019

Highlights

- Renewed focus on the Group's management of contract risk
- Introduction of revised contract governance framework
- Introduction of Group Risk Committee

Systems of risk management and internal control

General

The Board has ultimate responsibility for the Group's systems of risk management and internal control, including those established to identify, manage and monitor risk. The Board has delegated the responsibility for overseeing management's implementation of those systems to the RMAC.

The Group Head of Risk and Internal Audit, who has direct access to the RMAC and its Chair, reports to the RMAC on strategic risk issues and oversees the Group's risk management framework. In 2018, the RMAC appointed Grant Thornton LLP as the co-sourced internal auditor to work alongside the Group's internal resource in conducting audits of risks relating to the Group's operations. For further information, please see 'Internal audit' on pages 67 and 68. The Group Risk Committee, which met for the first time in September 2019, has been formed to provide executive management leadership and oversight of the Group's risk management framework and to act as a link between the RMAC and the business in relation to the management of risk.

Working with the Group Head of Risk and Internal Audit, management is responsible for the identification and evaluation of the risks that apply to the Group's business and operations, together with the design and implementation of systems and controls which are designed to manage those risks. The Board, the RMAC and the Group Risk Committee oversee the steps taken by management in this respect.

A summary of the key elements of the Group's risk management framework is set out on pages 30 and 31.

Effectiveness review

The Code requires that the Board conducts an annual review of the Group's systems of risk management and internal control. The steps taken by the RMAC, on behalf of the Board, in reviewing these systems are described under 'Systems of risk management and internal control – Effectiveness review' in the Risk Management and Audit Committee report on page 66.

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 such risk. A summary of the various stages of the review process undertaken in 2019 is as follows:

January – June 2019

Meetings with the Executive Directors to discuss the Group's principal risks and uncertainties and their appetite with respect to such risks

June 2019

Executive Directors' assessment of the principal risks and uncertainties, together with their risk appetite, sent to the Board for review and comment

July – September 2019

Drafting of the 'Principal risks and uncertainties' section of this Annual Report

September 2019

RMAC and Board approval of the sections of this Annual Report relating to risk management

Financial reporting

The Group has clear policies and procedures which are designed to ensure the reliability and accuracy of financial reporting, including the process for preparing the Group's interim and annual financial statements. The Group's financial reporting policies and procedures cover financial planning and reporting, preparation of financial information and the monitoring and control of capital expenditure. The Group's financial statements preparation process includes reviews at business and Group levels.

Over the past few years, the Group has introduced:

- the Oracle ERP and Hyperion Financial Management systems; and
- the Finance Shared Service Centre, based in Manchester, which manages the core information on which the Group's financial statements are produced (via the Oracle ERP system).

The business continues to make progress in embedding the Oracle ERP and Hyperion Financial Management systems to improve financial reporting and the consolidation of financial results within the Group.

Each business is responsible for monitoring its financial performance. Following the conclusion of each quarter of the financial year, each business conducts a formal 'quarterly review', the results of which, in turn, are reported to the Board. The Board then oversees the production of the Group's interim and full-year financial results, reporting them in March and September, respectively, each year.

By way of example, a summary of the process for preparing the full-year 2019 results is:

July and August

The business produces year-end packs for central review

August

Central consolidation process and drafting the Group's financial statements

August and September

Audit close-out meetings, RMAC review and Board approval

Board statements

The Board delegated the responsibility for conducting the work required for it to provide the 'fair, balanced and understandable', 'going concern' and 'viability' statements to the RMAC. In conducting this work, the RMAC acts on behalf of the Board and its activities remain the responsibility of the Board.

Further details of the work carried out in support of these statements is set out in the Risk Management and Audit Committee report on pages 66 and 67 and/or, in the case of the going concern and the viability statements, on pages 46 and 47.

These statements and the Board's statement relating to its assessment of the Group's principal risks and uncertainties are set out on page 50.

Risk Management and Audit Committee report

"During the year, the Committee has focused on the overall management of risk at Kier and the internal control environment."

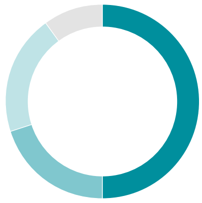
Chair

Adam Walker

Other Committee members

Justin Atkinson
Constance Baroudel
Kirsty Bashforth

Allocation of time



Dear shareholder

I am pleased to present the Risk Management and Audit Committee report, which provides a summary of the Committee's activities during what has been a very challenging year for Kier.

As highlighted last year, the construction, infrastructure and support services sectors are inherently risky, with a high level of judgement applied to financial outcomes. There has been a change in the sentiment of key stakeholders, including banks, lenders, insurers and trade credit providers, towards these sectors following a number of high profile corporate failures in recent years. As a result, the Board and the Committee have together increased the focus on the management of risk at Kier, the internal control environment and the level of disclosure on financial matters in this Annual Report. The new executive team understands the importance of risk management and is committed to working with the Committee to implement improvements where they are required. The Committee continues to work closely with both the internal and external auditors to develop the overall effectiveness of the Group's internal controls and financial reporting processes.

Committee composition and meeting attendance

Role

The role of the Committee includes:

- monitoring the Group's financial reporting procedures and the external audit;
- examining the integrity of the Group's financial statements and challenging significant financial and other judgements;
- reviewing the adequacy and effectiveness of the Group's risk management and internal control systems;
- reviewing the effectiveness of the Group's Internal Audit function, agreeing the list of audits to be conducted each year and reviewing the results of those audits; and
- testing the independence and objectivity of the external auditor, assessing its effectiveness and approving the provision of non-audit services.

THE TERMS OF REFERENCE FOR THE COMMITTEE CAN BE VIEWED ON THE COMPANY'S WEBSITE AT WWW.KIER.CO.UK/CORPORATEGOVERNANCE

The names of the members of the Committee are set out above.

As a chartered accountant, and having formerly been the Chief Financial Officer of three UK listed companies and now the Chief Financial Officer of IHS Holding Limited, I am considered by the Board to have recent and relevant financial experience and competence in accounting and auditing. The Committee as a whole has competence relevant to the sectors in which the Group operates, for example:

- Justin Atkinson: a qualified accountant, has previous executive experience in the contracting sector through his former roles with Keller;
- Constance Baroudel: has experience of the risks associated with strategy implementation; and
- Kirsty Bashforth: has commercial, safety, risk management and operational experience through her former role at BP and her other non-executive roles.

During the year, the following individuals also attended Committee meetings:

- the Finance Director;
- the Chief Executive attended the June 2019 meeting, following his appointment to the Board in April 2019;
- the Chairman attended the September 2018 and March 2019 meetings, to consider the Group's results, and the June 2019 meeting;
- the Chief Operating Officer to discuss key accounting judgements on contracts;
- the Group Financial Controller and representatives from PwC for external audit matters; and
- the Group Head of Risk and Internal Audit and representatives from Grant Thornton LLP (Grant Thornton) for internal audit matters.

Outside the formal meetings, I met members of management (including the Finance Director), PwC and Grant Thornton to discuss a number of matters relating to the operation of the Committee, including judgements on material contracts, the results of internal audits, the status of the engagement with the FRC (please see 'Engagement with the FRC' on page 68) and the status of the external audit.

The secretary of the Committee is the Company Secretary, Hugh Raven.

The Committee met four times during the year; details of attendance at those meetings are set out on page 53. Following those meetings, I provided the Board with an update on the principal matters arising.

Committee performance evaluation

2019 – progress against 2018 evaluation

The 2018 Board effectiveness review identified the following as key areas of focus for the Committee in the 2019 financial year:

- the timely reporting of key risk issues (in particular, the performance of any underperforming contracts); and
- the implementation of the actions arising from the key commercial controls review undertaken by KPMG in the 2018 financial year.

During the year, the Company introduced a revised contract risk governance framework, by way of response to KPMG's review of the Group's key commercial controls. The framework sets out the policies and procedures to be followed at each stage of a contract, from tendering, to administration of the contract (including reporting on its performance), to concluding final accounts and/or claims. The revised framework is designed to facilitate the effective reporting of any underperforming contracts to the Board and the RMAC. The Company also appointed a new Group Commercial Director, whose responsibilities include the oversight of the Group's revised contract risk governance framework.

2020 – principal areas of focus

Following the 2019 Board evaluation, the Committee's principal areas of focus for the 2020 financial year include:

- overseeing the continued development of the Group's risk management framework;
- in conjunction with PwC, continuing to consider significant accounting judgements; and
- reviewing ways to optimise the use of the Internal Audit function.

In addition, the Committee will oversee the implementation of any recommendations which the Financial Reporting Council (the FRC) may make in relation to its review of the Company's 2017 Annual Report. Further information on the FRC review can be found on page 68 under 'Engagement with the FRC'.

Principal activities – 2019 financial year

The principal agenda items of the Committee meetings held during the year were as follows:

September 2018

Review of the Group's 2018 results (and ancillary matters)

The 2018 final dividend

December 2018

Evaluation of the effectiveness of the internal and external auditors

Progress against the FY19 internal audit plan

Risk management

March 2019

Review of the Group's 2019 interim results (and ancillary matters)

The 2019 interim dividend

June 2019

A preliminary review of certain contract judgements

The 2020 internal audit plan

Approving the non-audit fee policy for 2020

Risk management

Certain other matters were considered regularly by the Committee during the year. These include:

- the status of the engagement with the FRC;
- non-audit fees incurred by the external auditor;
- whistleblowing and compliance updates; and
- corporate reporting and governance developments.

Further information about the Committee's discussions with respect to the 2019 audit is set out under 'External audit' on pages 69 to 72 (inclusive).

Systems of risk management and internal control

General

Information on how the Group manages risk, including a description of the principal aspects of the Group's systems of risk management and internal control, is set out on pages 30 and 31.

Effectiveness review

The Code requires the Board, at least annually, to conduct a review of the effectiveness of the Group's systems of risk management and internal control.

Management conducted an assessment of the key elements of these systems, taking into account the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Business Reporting (September 2014). The Board's statement with respect to the effectiveness of the Group's systems of risk management and internal control, following this review, is set out on page 50.

Whistleblowing helpline

The Group makes available an externally-hosted, confidential whistleblowing helpline. During the year, the Group Compliance function continued to take steps to raise awareness of the facility. At each Committee meeting during the year, the Committee reviewed reports which provided details of the issues reported to the helpline and how management had investigated them. No issues which were material in the context of the Group were reported to the helpline or via other means during the year.

Board statements

Introduction

Under the Code, the Board is required to provide a number of statements. These statements are set out on page 50.

For information on the work to support the Board's statement on the Group's systems of risk management and internal control, please see 'Systems of risk management and internal control – Effectiveness review' above. For information on the Committee's work to support the viability statement, please see 'Viability statement' on pages 46 and 47.

Fair, balanced and understandable review

At its meetings in September 2019, the Board and the Committee discussed the 'fair, balanced and understandable' statement and the work undertaken to support it, which included:

Who?	How assurance was provided
Annual Report working group	› The working group comprised individuals involved in the drafting of the Annual Report › The group held regular meetings to discuss material disclosure items › The working group members reviewed the sections drafted by them in light of the 'fair, balanced and understandable' requirement
Key contributors to the Annual Report	› Certain key contributors to sections of the Annual Report (for example, Managing Directors and Finance Directors within the business) were asked to confirm the accuracy of the information provided
External support	› Provided by PwC, FutureValue, a corporate reporting consultancy, and Deloitte, who reviewed the Directors' Remuneration Report
The Committee and the Board	› Drafts of the Annual Report were circulated to individual members of the Board, the Committee and the full Board for review › Material disclosure items were discussed at the Committee's meeting in September 2019

Going concern

At its meetings in September 2019, the Board and the Committee discussed the going concern statement and the principal aspects of the review process conducted to support it, which included:

Going concern element	How assurance was provided
Sources of funding	› Reviewing the Group's available sources of funding and, in particular, testing the covenants and assessing the available headroom using a range of assumptions
Cash flow	› Reviewing the Group's short-term cash flow forecasts and the cash flows in the Group's three-year strategic plan, including in stressed but plausible downside scenarios
Current and forecast activities	› Assessing the Group's current and forecast activities, including its expected principal drivers of profitability and those factors considered likely to affect its future performance and financial position
Bonding facilities	› Assessing the level of available bonding facilities, which are considered necessary to support the Group's ability to tender and operate effectively
Downside scenarios	› Reviewing a series of stressed, but plausible, downside scenarios

Further details of the review process undertaken to support the going concern statement are set out on page 46.

Internal audit

Internal audits – 2019 financial year

During the year, the Committee monitored progress against the 2019 internal audit plan, which was approved by the Committee at its June 2018 meeting. Results from these audits were discussed by the Committee, together with the follow-up actions taken by management.

During the year, 15 internal audits were completed using the services of Grant Thornton, the co-sourced internal auditor, and the Group's Internal Audit function. These audits covered a range of areas, including IT, procurement and other elements of the Group's internal control environment and were selected so as to assess the Group's potential exposure to its principal risks and uncertainties and/or to develop ways to remedy any identified weaknesses in the Group's systems of risk management and internal control. A summary of the findings of four of these audits is as follows:

Audit	Summary of work	Summary of findings
Contract governance framework	Review of the application of the Group's delegated authorities and commercial standards	Increased levels of compliance throughout the Group, with instances of non-compliance
Anti-bribery and corruption (ABAC) policy and procedures	Review of the application of the Group's ABAC policy and procedures	Policy and procedures in place, with a need to focus on training records
HR administrative processes	Review of certain processes – for example, absence management, exits and succession planning	Certain processes require increased focus following the introduction of the Oracle ERP system
Information security – Middle East business	Review of the application of the Group's information security requirements	Identified the need to continue to develop the information security measures

Before each audit, the scope of review, timetable and resources required were agreed with management. Updates were provided to management and members of the Committee on the status of ongoing audits at Committee meetings during the year.

Internal audits – 2020 financial year

During the 2020 financial year, internal audits are expected to be conducted in relation to the following areas:

- procurement;
- health and safety;
- HR services; and
- the commercial reporting of selected projects.

The internal audit plan for the 2020 financial year is designed to assist management, the Committee and the Board to manage the principal risks and uncertainties relating to the Group. Further details of the audits conducted during the 2020 financial year will be included in the 2020 Annual Report.

Internal audit function effectiveness

To assess the effectiveness of the internal audit function, members of the Committee and senior management completed a questionnaire addressing various aspects of both the internal audit function's and Grant Thornton's performance. The feedback was reviewed by the Committee at its meeting in December 2018.

The Committee concluded that, overall, the Internal Audit function was operating effectively within its remit. A summary of the results of the review is as follows:

Strengths

- Effective communication with the business and action-tracking
- Risk-based approach focuses on the Group's primary risks
- Internal audit plan is structured so that internal audits are delivered within the agreed timetable

Future areas of focus

- Improve sector-specific knowledge to enhance analysis of issues raised during audits
- Increase visibility of the Internal Audit team within the business
- Consider ways of better communicating final audit reports

Engagement with the FRC

As referred to on page 78 of the 2018 Annual Report and on page 33 of the Company's 2018 rights issue prospectus, the Company received a letter from the FRC's Corporate Reporting Review Team raising a number of points on the Company's 2017 Annual Report.

During the year, the Company engaged with the FRC on these points, which have now been resolved to the satisfaction of both parties. The two principal points raised by the FRC related to the treatment of joint venture investments which contained pre-emption rights in favour of the Company and the basis of revenue recognition of certain contract claims. The resolution of these matters is explained in note 1 of the 2019 financial statements ('Significant accounting policies') on page 118, together with the impact of treating the investments as joint ventures, rather than consolidating them within the accounts as subsidiaries.
The Committee wishes to thank the FRC for its constructive engagement with the Company.

External audit

2019 audit

The following table summarises the key steps taken by the Board and/or the Committee in overseeing the 2019 external audit by PwC:

Meeting	Issue	Actions taken by the Board/the Committee
March Committee meeting	Provisional 2019 audit fee and terms of engagement	Reviewed the provisional fee and engagement terms
May Board meeting	PwC's 2019 audit plan	Discussed the plan, including the scope of the audit
	PwC's resources	Reviewed, so as to ensure that the audit was adequately resourced
	Preliminary review of certain contracts	Discussed the scope of PwC's review of a sample of the Group's material contracts
	PwC's audit risk assessment	Reviewed and discussed PwC's approach to risks identified during its audit planning
	Materiality level for the 2019 audit	Agreed at substantially the same level as for the 2018 audit
	2019 audit fee	Noted the proposed audit fee, in light of the draft scope of the work to be undertaken by PwC
June Committee meeting	Preliminary review of certain contracts	Discussed PwC's review of a sample of the Group's material contracts – please see 'May Board meeting'
	PwC's 2019 audit plan	Further discussion, following changes proposed by PWC
September Board and Committee meetings	Review of 2019 audit plan	Reviewed progress against the plan discussed in May and June
	2019 audit fee	Agreed the core audit fee
	Going concern and viability statement	Discussed these with PwC and management
	Audit findings, significant issues and other accounting judgements	Discussed these with PwC and management
	Management representation letter	Discussed the letter, following a review by management

2019 financial statements – significant issues and other accounting judgements

The Committee is responsible for reviewing the appropriateness of management's judgements, assumptions and estimates in preparing the financial statements. Following discussions with management and PwC, the Committee and the Board determined that the significant issues and other accounting judgements relating to the 2019 financial statements are as shown in the table below.

Significant issues and/or accounting judgements	Action undertaken by the Committee/the Board
Going concern	In conjunction with PwC and the Company's other external advisers, the Committee and the Board reviewed and assessed the work undertaken to support the adoption of the going concern basis for the 2019 financial statements. In particular, the Committee and the Board reviewed the Group's short-term cash flow forecasts, the cash flow forecasts for the period ending 31 December 2020 which are included in the Group's three-year strategic plan, the assumptions relating to the profitability and cash generation of the business and the achievement of cost saving measures. The forecasts were stress-tested for severe but plausible downside scenarios that could have an impact on the Group, including Brexit. For further information on the work undertaken by the Committee, the Board and management in relation to the going concern basis of preparation for the 2019 financial statements, please see 'Going concern' on page 67 and 'Going concern' on page 46. The Directors' going concern statement is set out on page 50.
Contract accounting	The Group has significant long-term contracts in the Infrastructure Services and Buildings businesses. Accounting for long-term contracts was therefore identified as a key area of focus for the 2019 audit. Recoverability of work-in-progress on long-term services contracts involves significant estimates, including an estimate of the end-of-life outcome of the projects. An assessment of the likely profit on long-term contracts requires significant judgement because of the uncertainty inherent in preparing suitable estimates of the forecast costs and revenue. In the year, the Group transitioned to the new accounting standard IFRS 15 (Revenue from Contracts with Customers). Under the Group's accounting policies, claims from third parties (other than customers) are now only recognised once they are determined to be 'virtually certain' of recoverability. The Committee reviewed the adjustments resulting from the transition to IFRS 15 (please see 'IFRS 15 transition adjustments' on page 71). During the year: › the Committee and the Board reviewed and challenged management's latest assessment of the forecast costs of, and revenues from, certain of the Group's long-term contracts; › in particular, the Committee and the Board discussed PwC's review of management's assessment of the performance of certain of the Group's contracts when considering the interim and year-end financial statements in March and September 2019, respectively; › the Committee recommended to the Board the inclusion of an exceptional charge relating to the Broadmoor Hospital redevelopment project in the Group's interim financial statements in March 2019; and › the Committee recommended to the Board the inclusion of exceptional charges relating to the Broadmoor Hospital redevelopment project and the Mersey Gateway project in the Group's 2019 financial statements and, together with the Board, agreed the disclosure in this Annual Report relating to the judgements and estimates made in relation to the Group's long-term contracts (please see 'Critical accounting estimates and judgements on pages 124 and 125').
Presentation of the Group's financial performance	The Group has updated its alternative performance measure to 'profit before exceptional items and amortisation of acquired intangible assets' to improve the transparency and clarity of the Group's financial performance. The Committee and the Board (i) discussed the reasons for adopting the revised presentation of the financial statements with PwC and (ii) agreed the classification of, and disclosures relating to, the exceptional items with PwC.

Significant issues and/or accounting judgements	Action undertaken by the Committee/Board
Impairment of goodwill and other intangibles	The review of the carrying value of goodwill and other intangibles was identified as a key area of focus for the 2019 audit, in light of the significant decrease in the Group's market capitalisation during the year, the reduction in volumes of certain of the Group's core businesses and the announcement of the proposed sale of Residential and the reduction in investment in Property. Having discussed the review of goodwill and other intangibles with PwC, the Committee recommended that the Board included impairment charges against the Developments & Housing division in the 2019 financial statements.
IFRS 15 transition adjustments	Since IFRS 15 applied to the Group for the first time in the 2019 financial year, the adjustments to the Group's 2019 financial statements upon the transition of IFRS 15 were identified as a key area of focus for the 2019 audit. In particular, the Committee and the Board, having discussed these matters with PwC, (i) assessed whether recoveries which were previously assessed as meeting the recognition criteria under IAS 11 would, following the adoption of IFRS 15, not be considered to be recoverable and (ii) approved the disclosures relating to the impact of IFRS 15 on earnings in the 2019 financial statements.
Carrying value of land and development inventory	As part of the 2019 audit, PwC reviewed and evaluated management's assessment of the net realisable value of inventory in the Developments & Housing division at 30 June 2019. In particular, PwC focused its work on 10 residential sites previously held at a carrying value of £60.2m. Following the announcement in June 2019 of the intention to sell the Residential business, the Company intends to take steps to sell these sites, rather than hold them for future development. The Committee and the Board discussed PwC's review of management's revised assessment of the recoverable value of the sites (£10.2m) and, having done so, agreed that an impairment charge of £50.0m would be included in the 2019 financial statements.
Carrying value of investment in Kier Limited	In light of the size of the Company's investment in its principal operating subsidiary, Kier Limited, relative to the Company's market capitalisation, the carrying value of this investment was identified as a key area of focus for the 2019 audit. Following PwC's review, the Committee concluded that no impairment was required against the carrying value of the investment held by the Company.
Accounting for joint venture investments	The Group has a number of investments in which it has joint control, whilst holding a majority equity interest in such investments. These interests have historically been accounted for as joint ventures under the equity accounting method and not consolidated into the Group's financial statements. This is considered to be an issue requiring significant accounting judgement. In July 2018, the FRC wrote to the Company in relation to this accounting treatment, noting in particular the Group's pre-emption rights in such investments. The Committee has reviewed the correspondence with the FRC and received updates from PwC, the Finance Director and the Group Financial Controller on the engagement with the FRC during the year. As explained in note 1 to the 2019 financial statements ('Significant accounting policies') on page 118, the Company has amended certain pre-emption rights within these investments and accordingly believes that their ongoing treatment as joint ventures is appropriate and in accordance with applicable accounting standards.

External auditor effectiveness

During the year, the Committee conducted an evaluation of PwC's performance (with respect to the 2018 audit). A questionnaire was issued to key stakeholders, including members of the Committee and those involved in the 2018 audit. Feedback from the evaluation was discussed by the Committee at its meeting in December 2018.

A summary of the results of the evaluation is as follows:

Strengths

- Technical ability of the audit team remains strong
- Good engagement between the audit team and the business
- Audit team demonstrates a good knowledge of the industry

Future areas of focus

- Continue to improve the planning of the audit to ensure that the agreed timetable is met
- Ensure that the audit team is sufficiently resourced
- Maintain the continuity of the audit team

The Committee will formally assess PwC's performance in relation to the 2019 audit following its completion. A resolution to re-appoint PwC as the external auditor will be proposed at the 2019 AGM.

External auditor independence and non-audit services

During the year, PwC provided certain non-audit services to the Group. The Committee monitors the level and scope of these services to ensure that the associated fees are not of a level that would affect PwC's independence and objectivity. The limits of authority within the policy are:

Fees	Approval required
Up to £10,000	May be authorised by the Group Finance Director on individual assignments (not exceeding £50,000 in any financial year)
Above £10,000	Must be approved in advance by the Committee Where approval is urgently required, this may be provided by the Chair of the Committee (subject to the subsequent reporting of the approval to the Committee)

The Company has a non-audit fee policy which reflects the FRC's revised Ethical Standards for Auditors. The policy, which was last reviewed in June 2019, provides that the Committee expects that the level of non-audit fees in any one financial year will not exceed 15% of the audit fee payable in relation to the previous year.

Non-audit fees incurred during the 2019 financial year increased significantly due to the work undertaken by PwC as reporting accountants in relation to the 2018 rights issue. The total non-audit fees paid to PwC in FY2019 were £1,077,000, which is approximately 73% of the 2018 audit fee of £1,475,000. The non-audit fees related to work in support of the 2018 rights issue (£975,000), the review of the 2019 interim financial statements (£100,000), access to PwC's online knowhow system (£1,000) and financial verification work to support a 'Queen's Award for Enterprise' nomination for one of the Group's contracts (£1,000). PwC was engaged to provide support in each case due to its prior knowledge of the Group and its reporting systems and, in relation to the interim financial statements, because the review would enable it to conduct preparatory work in advance of the year-end audit. The Committee concluded that PwC's independence and objectivity were not compromised by it providing these services.

PwC first audited the Group's financial statements in the 2015 financial year. Andrew Paynter replaced Jonathan Hook as the lead audit partner in January 2019. PwC requires the lead audit partner to change after five years. As part of the 2019 audit, PwC confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account, and having considered the steps taken by PwC to preserve its independence, the Committee concluded that PwC continues to demonstrate appropriate independence and objectivity.

The Company complied with the Statutory Audit Services Order for the 2019 financial year.

Conclusion

I will be available to answer any questions about the Committee, our work and how we operate at the AGM on 15 November 2019.

Adam Walker
CHAIR OF THE RISK MANAGEMENT AND AUDIT COMMITTEE

26 September 2019

Safety, Health and Environment Committee report

"It is vital both to consolidate the Group's SHE performance and to seek ways to further improve it; each will require focusing on doing the basics well."

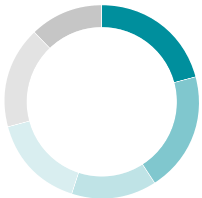
Chair

Kirsty Bashforth

Other Committee members

Justin Atkinson
Constance Baroudel

Allocation of time



Dear shareholder

I am pleased to present the Safety, Health and Environment Committee report for the 2019 financial year. This report summarises the activities of the Committee during the year.

As a Committee, we support and challenge management to consolidate and continuously improve the management of safety, health and environment (SHE) risk throughout the business. The past year has been a challenging one for the Company; it was therefore important to maintain focus on the basics of SHE risk management, including, in particular, its behavioural aspects.

Members of the Committee and the Board regularly visit sites across the Group to gain an insight into operating practices, meet those working on site and further build their understanding of, and gain assurance about, the Group's SHE practices and culture. In the last year, Board members have made over 70 such visits, including to the Dubai Harbour, Thames Water and HS2 projects.

Culture supports the effective operation of SHE policies and the Committee continues to oversee the progress of the Group's behavioural change programme, which aims to embed good safety behaviours and further improve the safety culture within the Group.

The Group's overall safety performance has improved year-on-year, continuing the trend of the last few years, although the rate of improvement has slowed recently.

The health of our employees, both physical and mental, is integral to this culture and of the utmost importance. During the year, the Committee has overseen the development and implementation of a health strategy for the Group. Since January 2018, the Group has trained over 550 mental health first aiders and mobile health kiosks have visited the Group's sites, allowing colleagues to access basic health checks. We were therefore disappointed to see an increase in the cost of sickness absence in 2019. During the year, we published a revised, three-year health and wellbeing strategy, which focuses on key issues such as depression, anxiety, mental health and muscular skeletal disorders in the workforce, which are some of the primary causes of sickness absence across the business. We have targeted a 10% per annum reduction in the cost of sickness absence over the next three years.

During the year, the Group has continued to make good progress with respect to reducing both its carbon emissions and the amount of waste removed from site.

Role

The role of the Committee includes:

- reviewing the Group's strategy with respect to SHE matters and challenging management to implement it;
- encouraging management's commitment and accountability with respect to managing the Group's SHE risks;
- reviewing and, as necessary, approving material Group-wide SHE initiatives, policies and procedures; and
- reviewing the Group's exposure to SHE risks and monitoring performance against SHE targets.

THE TERMS OF REFERENCE FOR THE COMMITTEE CAN BE VIEWED ON THE COMPANY'S WEBSITE AT WWW.KIER.CO.UK/CORPORATEGOVERNANCE

The Committee recognises that consolidating the Group's SHE performance requires significant oversight – as does seeking continuous improvement. The Committee will continue to work with management to oversee ways of consolidating the Group's SHE performance, seeking to improve it and continuing to focus on the basics.

Committee composition and meeting attendance

The names of the members of the Committee are set out above. The Chairman, the Chief Executive, the Chief Operating Officer and the Group SHE Director also attended the Committee's meetings during the year.

The secretary of the Committee is the Company Secretary, Hugh Raven.

The Committee met four times during the year; details of attendance at those meetings are set out on page 53.

Committee effectiveness review

The 2018 Board effectiveness review identified a need for the Committee to:

- continue its focus on the management of the health and wellbeing of the Group's employees and environmental issues relevant to the Group; and
- continue to drive the development of the Group's safety culture, with a particular focus on developing its behavioural safety practices.

The Committee agreed that, whilst good progress on these matters had been made during the year, they would remain key areas of focus for the Committee in the 2020 financial year.

Principal activities – 2019 financial year

The following matters were considered by the Committee at each meeting during the year:

Matters	Consideration
Key incidents	The Committee reviewed reports about material safety or environmental incidents which occurred during the year. Senior management attended Committee meetings to present their reports on material incidents which had occurred within their business, the lessons learned from the incidents and the implementation of improvements. These included reports relating to the fire at the Glasgow School of Art site, a fatality which occurred on a utilities contract near Lakenheath, overhead cable strikes on the M6 smart motorways site and a significant fall from height at a regional business site at Horsham. In July 2018, the Group received fines for two historic incidents: a fine of £0.6m for a fall from height at Maerdy Bridge and a fine of £0.2m for a fall from height at Downsell School.
SHE performance	The Committee reviewed the Group's SHE performance against a number of KPIs. These KPIs related to the AIR and the AAIR, visible leadership tours undertaken by management, construction waste, carbon emissions, sickness absence and drugs and alcohol testing.
Visible leadership tours	The Committee discussed feedback from Committee members' visible leadership tours.

During the year, the Committee's other activities included:

Matters	Consideration
Health and wellbeing	Overseeing the progress of Group health and wellbeing campaigns, including those relating to: › Mental health › Hand arm vibration and carpal tunnel syndrome management › Fitness for work assessments.
Environmental	› Overseeing progress against the Group's environmental strategy › Overseeing management's implementation of certain environmental campaigns › Reviewing the Group's environmental strategy beyond 2020.
Safety	Inviting members of management to present at Committee meetings on a range of safety issues, including: › The Managing Director, Utilities & Rail: the Lakenheath incident › The Managing Director, Highways: the M6 overhead cable strikes › The Managing Director, Building UK: the Horsham regional business incident Reviewing the safety-related campaigns implemented by management during the year.
SHE Strategy	› Reviewing the Group's strategy for the future management of SHE risks › Monitoring progress against the Group's behavioural change programme.

Conclusion

I will be available to answer any questions about the Committee, its work and how it operates at the AGM on 15 November 2019.

Kirsty Bashforth
CHAIR OF THE SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

26 September 2019

Relations with shareholders and other stakeholders

Highlights

- A comprehensive programme of engagement with shareholders and other stakeholders
- Engagement with shareholders during and after the 2018 rights issue
- Briefings to stakeholders following the strategic review announcement in June 2019

FOR FURTHER INFORMATION ON HOW WE ENGAGE WITH SHAREHOLDERS AND OTHER STAKEHOLDERS, PLEASE SEE PAGES 20 TO 29 (INCLUSIVE)

Shareholder engagement

Introduction

The following table sets out details of the engagement with shareholders during the year:

2018[1]

July

Trading statement

September

2018 year-end results released

Investor roadshows

November – December

AGM trading update

Annual General Meeting

Engagement with key stakeholders about the rights issue

2019[1]

January

Trading update

March

Revised net debt guidance announcement

2019 interim results released

Investor roadshows

Announcement of appointment of Andrew Davies

June

Update on trading, FPK programme and strategic review

Update on strategic review conclusions and net debt

August

Trading update

Announcement of the appointment of Simon Kesterton

Key shareholder engagement issues

During the year, the Board's engagement with shareholders was led by the Chief Executive, the Finance Director, the Chairman (including whilst acting as the Executive Chairman) and the Senior Independent Director. Feedback from this engagement was communicated to other Board members by a number of methods, including via Board calls, at Board meetings and via email.

Examples of this engagement are as follows:

- **2018 results and 2019 interim results announcements:** the Chief Executive and Finance Director met shareholders following the 2018 results announcement and the Executive Chairman and the Finance Director held similar meetings following the 2019 interim results announcement. Following these announcements, analysts' notes were circulated to the Board;
- **Rights issue:** the Chairman, the Senior Independent Director, the Chief Executive and the Finance Director met shareholders and other stakeholders during the 2018 rights issue to understand their views about the Group and the capital raise. This feedback was then discussed by the Board when considering the rights issue;
- **Chief Executive:** following his appointment as Chief Executive, Andrew Davies met a number of shareholders. This engagement provided Andrew with a clear indication of shareholders' strategic priorities for the Group. Shareholders raised concerns about the level of the Group's net debt; on 17 June 2019, the Board announced the conclusions of the strategic review, which included a number of actions which are designed to accelerate a reduction in the Group's net debt; and
- **March and June 2019 announcements:** the Chief Executive and the Finance Director briefed key shareholders, analysts and other key stakeholders following these announcements.

Annual general meeting

The Board uses the AGM as an opportunity to communicate with shareholders, who are invited to attend, ask questions and meet Directors prior to, and after, the formal proceedings. The Chairs of the Board committees are present at the AGM to answer questions on the work of their committees.

The results of the voting at the 2018 AGM can be viewed online at www.kier.co.uk.

[1] The Company also issued a number of other announcements relating to the 2018 rights issue and Board changes made during the year.

Relations with shareholders and other stakeholders / continued

Stakeholder engagement

The following table provides examples of how the Board engages with certain of its key stakeholders and how it takes into account this engagement when making its decisions:

Key stakeholder	Examples of Board engagement in the 2019 financial year	How was the engagement reflected in the Board's decision-making?
Institutional and retail investors and analysts	› Roadshows held with investors following the release of the results announcements in September 2018 and March 2019 › Members of the Board engaged with institutional investors following the announcements in March and June 2019	› Feedback from these meetings reflected in the scoping of the strategic review of the Group › Confirmed the principal areas of focus in 2020 – a reduction in debt and the disposal of non-core businesses
Banks, lenders, sureties and insurers	› The Chief Executive and Finance Director engaged with the banks and lenders, following the 2018 rights issue › The Finance Director led an engagement programme with credit institutions following the June 2019 announcements	› Feedback taken into account when developing the Group's strategic focus for 2019 and 2020 › Confirmed the need to focus on reducing the Group's net debt and increasing its cash flows
Clients	› The Chief Executive met key clients as part of his induction › The Board received regular feedback on key client relationships via Board reports	› Feedback taken into account when conducting the strategic review › Informed the approach to clients on key strategic issues
Government	› The Chief Executive met representatives of the Cabinet Office during his induction › The Chief Executive and the Chief Operating Officer engaged with the Cabinet Office via its Strategic Supplier programme	› Assisted the Chief Executive to develop important relationships › Informed the Board about the strategic priorities of one of the Group's principal clients

Key stakeholder	Examples of Board engagement in the 2019 financial year	How was the engagement reflected in the Board's decision-making?
Employees	› Members of the Board undertook visible leadership tours to the Group's sites › The Executive Directors and senior management conducted employee roadshows in autumn 2018	› Assisted the SHE Committee to oversee the management of SHE risks › Q&A sessions covered a range of topics and provided an insight into the workforce's views
Joint venture partners	› The new Chief Executive developed relationships with Eiffage, the Group's joint venture partner on the HS2 project › The Chief Operating Officer oversaw the relationship with the Group's joint venture partners on the Mersey Gateway project	› Assisted in the development of the plan to mitigate the risks associated with the project › Feedback taken into account when assessing the operational and financial performance of the project
Supply chain	› The Executive Directors engaged with members of the supply chain, in particular in relation to payment terms › The Finance Director met trade credit insurers following the strategic review announcement in June 2019	› Assisted management to drive a reduction in the number of supply-chain payment days › Enabled the Board to develop its engagement strategy with respect to such institutions
Pension trustees	› The Finance Director met trustees of the Group's pension schemes to discuss the Group's performance › The Finance Director briefed the trustees in relation to the conclusions of the strategic review	› Assisted the discussions between the parties in relation to the funding of the schemes › Enabled the Board to assess the risks associated with the execution of the conclusions of the review

Annual statement of the Chair of the Remuneration Committee

"The Committee takes into account a number of factors when setting executive remuneration, including pay throughout the Group and general market conditions."

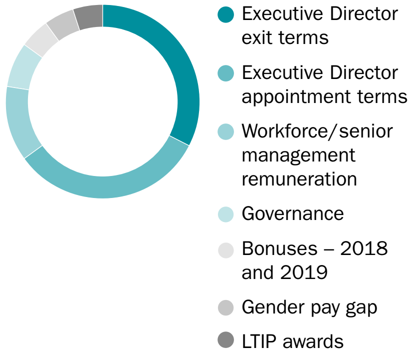
Chair

Constance Baroudel

Other Committee members

Justin Atkinson
Kirsty Bashforth
Philip Cox CBE
Adam Walker

Allocation of time



Dear shareholder

The Directors' Remuneration Report for 2019 is divided into three sections:

- this annual statement from the Committee Chair, which provides a review of the Committee's activities and decisions taken during the year;
- the annual report on remuneration, which provides details of the remuneration paid to the Board during the year; and
- a summary of the remuneration policy which was adopted at the 2017 Annual General Meeting.

Role

The role of the Committee includes:

- setting the remuneration policy relating to the Executive Directors and the Non-Executive Directors;
- setting the remuneration of the Chairman, the Executive Directors and senior management;
- reviewing workforce remuneration and related policies;
- approving the design of, and determining targets for, any annual bonus schemes applicable to the Executive Directors and senior management;
- approving annual bonus payments made to the Executive Directors and senior management;
- approving the design of, and determining the performance measures for, all share or share-based plans applicable to the Executive Directors and senior management;
- reviewing the vesting of all share or share-based plans applicable to the Executive Directors and senior management;
- considering payments to former Directors to ensure that they are within the terms of the remuneration policy;
- engaging with institutional investors on remuneration matters; and
- appointing remuneration consultants and setting their terms of reference.

THE TERMS OF REFERENCE FOR THE COMMITTEE CAN BE VIEWED ON THE COMPANY'S WEBSITE AT WWW.KIER.CO.UK/CORPORATEGOVERNANCE

2019 – review of the year

The 2019 financial year was a challenging year for the Group and, following the 2018 rights issue, it has experienced significant management and operational change.

The announcement of the conclusions of the strategic review clearly sets out the Group's areas of focus over the short and medium-term. Since his arrival as Chief Executive in April 2019, Andrew Davies has accelerated the Future Proofing Kier (FPK) programme, as a result of which 1,200 employees are expected to leave the Group over the 2019 and 2020 financial years. Across the Group, base salary increases for the 2020 financial year were limited to the lower-paid members of the workforce (please see 'Remuneration across the Group' below) and bonuses for the 2019 financial year will be paid to a small number of employees. No Executive Director or member of senior management received either an increase in base salary for 2020 or a bonus in respect of 2019.

Remuneration across the Group

In determining the remuneration of the Executive Directors and senior management, the Committee reviews the workforce's remuneration and takes into account the approach to remuneration across the Group as a whole.

During the year, the Committee:

- reviewed salary information relating to the workforce, noting that management proposed an increase of up to 2% for the Group's lower-paid members of staff with effect from 1 July 2019;
- reviewed the Group's latest gender pay gap statistics, which were published in April 2019 and related to the period ended 5 April 2018. The Committee noted that both the salary and bonus gaps had decreased as compared to the period ended 5 April 2017; and
- revised its terms of reference, effective from 1 July 2019, to include a requirement for the Committee formally to approve the remuneration of senior management.

Appointment of Chief Executive and Chief Financial Officer

The principal elements of Andrew Davies' and Simon Kesterton's remuneration on appointment are set out on page 81. During their respective recruitment processes, the Committee took advice to ensure that their respective terms reflected the size and complexity of the Group, the challenges facing the Group, their skills and experience, their remuneration packages as a whole, internal relativities and affordability.

2019 outcomes

Annual bonus

The Group did not meet its earnings per share (EPS) or average month-end cash/net debt targets for the 2019 financial year. The Committee decided that there would be no bonus payment for the SHE element of the bonus or for the personal objectives element. Accordingly, no bonus will be paid to the Executive Directors or senior management in respect of the 2019 financial year.

FURTHER INFORMATION ABOUT THE ANNUAL BONUS IS SET OUT ON PAGE 84

Vesting of LTIP awards

The performance conditions for the LTIP awards granted in October 2016 related to cumulative EPS growth, TSR outperformance and net debt : EBITDA, in each case over the three-year period ended 30 June 2019. Performance against each of the conditions was not sufficient to result in a vesting of the awards.

FURTHER INFORMATION ABOUT THE VESTING OF LTIP AWARDS IS SET OUT ON PAGE 85

Payments to former Directors

During the 2019 financial year, the Company made payments to Nigel Brook and Nigel Turner, each of whom stood down from the Board and left the business on 1 August 2018. These payments are described on pages 96 and 97 of the 2018 Annual Report.

In addition, during the 2019 financial year, the Company made payments to Haydn Mursell during his garden leave which began on 22 January 2019, when he stood down from the Board. Details of these payments, and the payments made and to be made to Mr. Mursell during the 2020 financial year, are summarised on page 86.

Bev Dew will stand down from the Board by 30 September 2019 and will remain on garden leave until the conclusion of his notice period in May 2020 or, if earlier, the date on which he obtains alternative employment. Details of the payments made to Mr. Dew in the 2020 financial year will be disclosed in the 2020 Annual Report.

Looking forward – 2020 financial year

General

In the 2020 financial year, there will be no changes to the structure of the Executive Directors' remuneration. Please see 'Executive Directors' remuneration – 2020' on page 81 for further information.

The 2018 edition of the UK Corporate Governance Code (the Code) applies to Kier from 1 July 2019. The Committee took into account the Code with respect to the appointments of Andrew Davies and Simon Kesterton as Chief Executive and Chief Financial Officer Designate, respectively, by introducing (i) a lower level of pension contributions from the Company (as compared to the contributions previously paid on behalf of Executive Directors), having considered the contributions paid on behalf of the Group's wider workforce, and (ii) a post-termination shareholding requirement. The Committee will also take into account the Code, insofar as it relates to executive remuneration, when reviewing the remuneration policy in 2020.

Base salaries

The Committee decided that no increases in base salary would be awarded to the Executive Directors or senior management with effect from 1 July 2019.

Annual bonus

The maximum bonus opportunity for each of the Chief Executive and the Chief Financial Officer will be 125% of base salary. The maximum bonus opportunity for the Chief Operating Officer will be 115% of base salary. Neither Haydn Mursell nor Bev Dew will receive a bonus in respect of the 2020 financial year.

The 2020 bonus targets are expected to relate to profit (40%), average month-end net debt/cash (40%), the Group's safety performance (10%) and personal objectives (10%). The actual targets and performance against them will be disclosed in the 2020 Annual Report.

LTIP awards

In the 2020 financial year, Andrew Davies will receive an LTIP award of 200% of base salary, Simon Kesterton will receive an LTIP award of 175% of base salary and Claudio Veritiero will receive an LTIP award of 150% of base salary. Neither Haydn Mursell nor Bev Dew will receive an LTIP award in the 2020 financial year.

The awards to be granted to Mr. Davies and Mr. Kesterton are set at a level which is designed to promote an immediate alignment of interests with shareholders. Mr. Davies' award reflects the fact that he did not receive an award on appointment; future awards to Mr. Davies will be at 175% of base salary.

The performance conditions for the LTIP awards are expected to relate to EPS growth (50%), TSR outperformance (25%) and the Group's average month-end net debt/cash : EBITDA performance (25%) over the three-year period ending 30 June 2022. The actual performance conditions will be disclosed in the 2020 Annual Report.

Revised remuneration policy

The Company's remuneration policy will be revised during the 2020 financial year and shareholders will be asked to vote on the new policy at the 2020 AGM.

The Committee will engage with shareholders to ensure that the revised policy aligns their interests with those of management by incentivising sustainable, long-term performance and will take into account wider workforce remuneration and related policies when reviewing the policy.

Conclusion

The Committee recognises that executive remuneration continues to be an area of focus for shareholders and other stakeholders. The Committee will continue to monitor developments in executive remuneration and engage with shareholders and the proxy voting agencies to ensure that Kier's leadership team is appropriately incentivised.

I will be available to answer any questions you may have about the Committee, its work and how it operates at the AGM on 15 November 2019.

C. Baroudel.

Constance Baroudel
CHAIR OF THE REMUNERATION COMMITTEE

26 September 2019

Remuneration at a glance

Contents

In this section:

Background information

Approach to remuneration at Kier

Our remuneration policy aims to:

- align with strategy and incentivise and reward performance: over two-thirds of the Executive Directors' maximum remuneration opportunity is variable and relates to the Group's performance against its strategic priorities (as set out on page 11);
- align Executive Directors' interests with those of shareholders: approximately half of the Executive Directors' maximum remuneration opportunity is satisfied in shares and the Executive Directors are encouraged to build up shareholdings in the Company of at least two years' base salary over a period of up to five years; and
- attract and retain talent: the Committee considers practices in comparable businesses so as to ensure that remuneration at Kier remains competitive, enabling it to attract and retain talented individuals, but without paying more than is necessary.

Remuneration framework

There are three elements to the framework for the Executive Directors' remuneration:

- fixed element: comprises base salary, taxable benefits (private health insurance and a company car or car allowance) and a pension;
- short-term element: an annual bonus, which incentivises and rewards the delivery of a balanced selection of financial and non-financial targets in a financial year, with payments being satisfied in cash (2/3), which are subject to clawback, and shares (1/3), which are deferred for three years; and
- long-term element: the LTIP incentivises financial performance over a three-year period, promoting long-term sustainable value creation for shareholders. Vested shares are subject to a two-year holding period.

Remuneration policy

The remuneration policy, a summary of which is set out on pages 92 to 97 (inclusive), was approved by shareholders at the Annual General Meeting on 17 November 2017. The policy is subject to shareholder approval every three years.

Compliance statement

This Directors' Remuneration Report complies with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the Listing Rules of the Financial Conduct Authority and applies the main principles relating to remuneration which are set out in the UK Corporate Governance Code (April 2016 edition).

Summary of the Executive Directors' remuneration in 2019 and 2020

The tables and charts below:

- summarise the Executive Directors' remuneration in 2019;
- summarise the principal elements of the Executive Directors' remuneration in 2020; and
- provide an illustration of the remuneration that the Executive Directors may receive under different performance scenarios in 2020.

Executive Directors' remuneration – 2019

The following table summarises the key elements of the Executive Directors' remuneration in 2019:

Director	Role	Fixed remuneration[1,2]	Variable remuneration[1,3]	Total remuneration[1]
Andrew Davies	Chief Executive	£140,000		£140,000
Bev Dew	Finance Director	£494,000	£1,000	£495,000
Haydn Mursell[4]	Chief Executive	£422,000	£1,000	£423,000
Claudio Veritiero	Chief Operating Officer	£492,000	£1,000	£493,000

1 All amounts expressed before deductions for income tax and national insurance contributions and rounded to the nearest £1,000.

2 Comprises base salary, taxable benefits and pension contributions. See page 83 for further details.

3 Comprises bonus, LTIP and share schemes. See page 83 for further details.

4 See note 1 on page 83.

Executive Directors' remuneration – 2020

The following table summarises the key elements of the Executive Directors' remuneration in 2020:

Element	Chief Executive	Chief Financial Officer[1]	Chief Operating Officer
Base salary	£595,000	£475,000	£401,700
Pension	7.5% of salary	7.5% of salary	20% of salary
Bonus	Maximum: 125% of salary	Maximum: 125% of salary	Maximum: 115% of salary
Bonus targets[2]	› Financial (80%): profit (40%) and average month-end net debt/cash (40%) › Non-financial (20%): health and safety (10%) and personal objectives (10%)		
Deferred shares	One-third of any net bonus annual payment to be satisfied by an allocation of shares (legal ownership deferred for three years)		
LTIP	200% of salary[3]	175% of salary	150% of salary
LTIP performance conditions[4]	Awards will be subject to the Group's performance over a three-year period ending 30 June 2022: › EPS growth (50%) › TSR outperformance (25%) › Average month-end net debt/cash: EBITDA performance (25%)		
Holding period	Any vested LTIP shares must be held for two years after vesting (after payment of tax)		
Malus and clawback	› Clawback will apply to any cash bonuses paid and to the post-vesting holding period for any LTIP shares › Malus will apply to any deferred shares (in the three-year deferral period) and LTIP awards (prior to vesting)		
Shareholding guidelines[5]	200% of salary[5]		

1 Simon Kesterton joined the Board with effect from 26 August 2019.

2 Expected targets. Actual targets will be disclosed in the 2020 Annual Report.

3 Future LTIP awards to Mr. Davies will be at 175% of base salary.

4 Expected performance conditions. Actual performance conditions will be disclosed in the 2020 Annual Report.

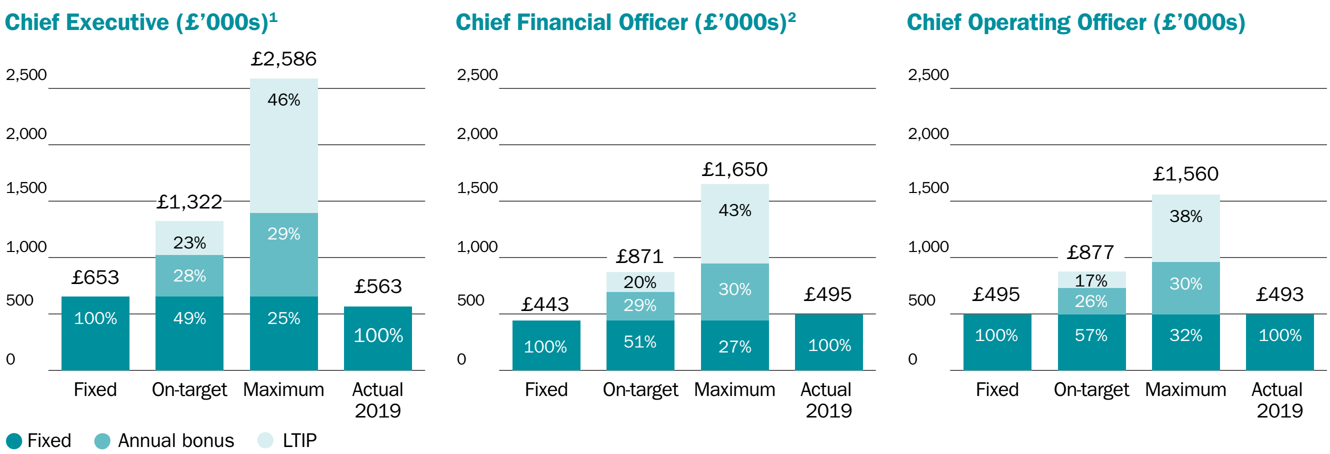
5 Each of Mr. Davies and Mr. Kesterton is required to retain shares equal in value to 100% of base salary for a period of two years from the date on which his employment is terminated (or if the number of shares owned by the individual at such date is less than such value, the shares then owned by the relevant individual).

Remuneration at a glance / continued

Bev Dew will stand down from the Board by 30 September 2019 and will remain on garden leave until the conclusion of his notice period in May 2020 or, if earlier, the date on which he obtains alternative employment. During this period, Mr. Dew will remain entitled to his contractual pay and benefits, comprising a base salary of £401,700, a pension contribution of 20% of base salary and a car or car allowance. Mr. Dew will not receive a bonus in respect of the 2020 financial year and will not be granted an LTIP award in the 2020 financial year. The LTIP awards granted to Mr. Dew in 2017 and 2018 will lapse upon the commencement of his garden leave. Details of the payments made to Mr. Dew in the 2020 financial year will be disclosed in the 2020 Annual Report.

Executive Directors' remuneration – scenarios

The following charts illustrate the remuneration that the Executive Directors may receive under different performance scenarios for the year ending 30 June 2020, together with the actual amounts received in the year ended 30 June 2019:



1 Actual 2019 remuneration relates to the aggregate of Haydn Mursell's and Andrew Davies' remuneration. It does not include the fee paid to Philip Cox as Executive Chairman between 22 January 2019 and 15 April 2019.

2 Fixed, on-target and maximum remuneration relates to Simon Kesterton's remuneration (pro rated to reflect that he joined the Board on 26 August 2019). Actual 2019 remuneration relates to Bev Dew's remuneration.

The scenarios set out in the above charts reflect or assume the following:

- 'Fixed' remuneration comprises:
  - base salary;
  - the estimated value of taxable benefits to be provided in 2020, based on the actual value of such benefits provided in 2019; and
  - a pension contribution/cash allowance;
- The 'on-target' remuneration assumes an annual bonus payment of 50% of the maximum opportunity and a 'threshold' LTIP vesting (25% of the maximum opportunity);
- The 'maximum' remuneration assumes maximum performance is achieved and therefore awards under the annual bonus and the LTIP pay out or vest at their maximum levels;
- No value is assumed for share schemes (other than in the 'Actual 2019' figures);
- No share price appreciation is assumed for LTIP awards; and
- 'Actual 2019' refers to the figures set out in the table on page 83.

Annual report on remuneration

Introduction

This section of the report sets out the annual report on remuneration for the 2019 financial year.

The following information contained in this section of the report has been audited: the table containing the total single figure of remuneration for Directors and accompanying notes on this page, the pension entitlements referred to on this page, the incentive awards made during the 2019 financial year referred to on page 85, the payments for loss of office referred to on page 86, the payments to past Directors referred to on page 86 and the statement of Directors' shareholdings and share interests set out on page 87.

Directors' remuneration for the 2019 financial year

The following table provides details of the Directors' remuneration for the 2019 financial year, together with their remuneration for the 2018 financial year, in each case before deductions for income tax and national insurance contributions (where relevant):

	Salary/fee (£000)		Taxable benefits[1] (£000)		Bonus (£000)		LTIP vesting (£000)		Share schemes (£000)		Pension[5] (£000)		Total (£000)	
	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018[2]	2018/ 2019[3]	2017/ 2018[4]	2018/ 2019	2017/ 2018	2018/ 2019	2017/ 2018
Executive Directors														
Nigel Brook[6]	31	375	1	13	–	323	–	80	1	1	6	75	39	867
Andrew Davies[7]	126	–	5	–	–	–	–	–	–	–	9	–	140	–
Bev Dew	402	402	12	11	–	350	–	86	1	1	80	80	495	930
Haydn Mursell[8]	346	620	7	13	–	580	–	121	1	1	69	124	423	1,459
Nigel Turner[6]	31	375	1	13	–	323	–	80	1	1	6	74	39	866
Claudio Veritiero	399	375	13	13	–	327	–	80	1	1	80	75	493	871
Non-Executive Directors														
Justin Atkinson	62	62	–	–	–	–	–	–	–	–	–	–	62	62
Constance Baroudel	62	62	–	–	–	–	–	–	–	–	–	–	62	62
Kirsty Bashforth	58	52	–	–	–	–	–	–	–	–	–	–	58	52
Philip Cox[9]	235	204	–	–	–	–	–	–	–	–	–	–	235	204
Adam Walker	62	62	–	–	–	–	–	–	–	–	–	–	62	62
Nick Winser[10]	23	62	–	–	–	–	–	–	–	–	–	–	23	62
Total	1,837	2,651	39	63	–	1,903	–	447	5	5	250	428	2,131	5,497

1 Comprises private health insurance and a company car or a car allowance and, for Haydn Mursell, the cost of broadband subscription for his personal residence for the period from 22 January 2019 (being the date on which he stood down from the Board) to 30 June 2019. Prior to 22 January 2019, the cost of this subscription was a business expense. In addition to the amounts referred to in the table, the Board and members of senior management had access to a driver until approximately 1 February 2019. The total annual cost to the Company was approximately £40,000, of which Haydn Mursell's home-to-work usage from 1 July 2018 to 22 January 2019 was approximately 53%. Haydn Mursell had no further access to the driver following 22 January 2019.

2 The figures in this column have been restated, as compared to those included in the 2018 Annual Report, to reflect the Company's share price on the vesting date for the LTIP awards of £8.86. The figures in the column headed '2017/2018' under 'Total' also reflect this restatement.

3 The value of the matching shares purchased during the 2019 financial year under the Share Incentive Plan (the SIP), using an average share price for matching shares purchased during the 2019 financial year of £6.19.

4 The value of the matching shares purchased during the 2018 financial year under the SIP, using an average share price for matching share purchases during the 2018 financial year of £10.91.

5 Comprises the payment of employer pension contributions and/or a cash allowance.

6 Nigel Brook and Nigel Turner left the Board on 1 August 2018. The amounts in the above table are those paid to Mr. Brook and Mr. Turner in respect of the period from 1 July 2018 to 1 August 2018. Details of the other payments made to them during the 2019 financial year are summarised on pages 96 and 97 of the 2018 Annual Report.

7 Andrew Davies joined the Board on 15 April 2019.

8 Haydn Mursell left the Board on 22 January 2019. The amounts in the above table are those paid to Mr. Mursell in respect of the period from 1 July 2018 to 22 January 2019. Details of the other payments made to Mr. Mursell during the 2019 financial year, and made and to be made to Mr. Mursell during the 2020 financial year, are summarised under 'Payments to past Directors' on page 86.

9 Philip Cox did not receive an additional fee when acting as Executive Chairman between 22 January and 15 April 2019.

10 Nick Winser left the Board with effect from 17 November 2018.

All figures in the above table have been rounded to the nearest £1,000.

Pension entitlements

The Executive Directors are eligible to participate in the Kier Retirement Savings Plan, a defined contribution plan. In respect of the 2019 financial year, each Director, other than Andrew Davies, received a pension contribution from the Company of 20% of base salary. Mr. Davies received a pension contribution of 7.5% of his base salary. The contributions payable to the Executive Directors are subject to the annual allowance, with the balance being payable as a cash allowance. Cash allowances are subject to tax and national insurance deductions and are excluded when determining annual bonus and long-term incentive arrangements.

The pension contributions paid on behalf of, and cash allowances paid to, the Executive Directors in respect of the 2019 financial year were:

Director	Pension contribution	Cash allowance	Total
Nigel Brook[1]	–	£6,250	£6,250
Andrew Davies[2]	–	£9,466	£9,466
Bev Dew	£10,000	£69,980	£79,980
Haydn Mursell[3]	–	£69,188	£69,188
Nigel Turner[1]	£833	£5,417	£6,250
Claudio Veritiero	£10,000	£69,895	£79,895

1 For the period from 1 July 2018 to 1 August 2018.

2 For the period from 15 April 2019 to 30 June 2019.

3 For the period from 1 July 2018 to 22 January 2019.

Annual bonus – 2019 financial year

Performance against the 2019 bonus targets was as follows:

Financial performance (aggregate weighting: 80%)

Target	Opportunity	Threshold target	On target	Stretch target	Actual performance	Actual performance as a % of opportunity
Earnings per share	50%	121p	128p	135p	58.2p	–
Average month-end net debt	30%	£(394)m	£(375)m	£(356)m	£(422)m	–

Non-financial performance (aggregate weighting: 20%)

Health and safety (maximum opportunity 10%)

Target	Opportunity	Range	Actual performance	Actual performance as a % of opportunity
Reduction in the Group's average AIR[1]	5%	5-10% reduction	11%	100%
Reduction in the Group's average AAIR[2]	5%	10-20% reduction	18%	90%

1 The target related to a reduction in the Group's AIR over the six-month period from 1 January to 30 June 2019, as compared to the equivalent period in the 2018 financial year.

2 The target related to a reduction in the Group's AAIR over the six-month period from 1 January to 30 June 2019, as compared to the equivalent period in the 2018 financial year.

Although both targets were met, the Committee decided that no payment would be made in respect of the safety element of the 2019 bonus.

Personal objectives (maximum opportunity 10%)

The Committee agreed that the personal objectives for the Executive Directors would relate to, amongst other matters, the Future Proofing Kier programme, the results of the latest employee engagement survey and the implementation of the Group's revised contract governance framework. The Committee decided that no payment would be made in respect of the personal objectives element of the 2019 bonus.

LTIP awards – performance period ended 30 June 2019

The three-year performance period of the LTIP awards granted in the 2017 financial year ended on 30 June 2019 and will not vest. Performance against the performance conditions of those awards was as follows:

Performance condition	Weighting	Targets	Actual performance	Level of vesting[1]
Compound EPS growth[2]	50%	0% vesting for below 5% p.a. 25% vesting for 5% p.a. 100% vesting for 15% p.a. Straight-line vesting between these points	- 16.4% p.a.	–
TSR outperformance[3]	25%	0% vesting for below index 25% vesting for performance in line with index 100% vesting for performance in line with index +12% p.a. Straight-line vesting between these points	- 63% p.a.	–
Net debt : EBITDA performance[4]	25%	0% vesting for above 1.05:1 25% vesting for 1.05:1 62.5% vesting for 1:1 100% vesting for 0.95:1 Straight-line vesting between these points	1.42:1	–
Total				–

1 Expressed as a percentage of the maximum opportunity.

2 The number of shares used for the purposes of calculating EPS growth was adjusted to reflect the sale of Mouchel Consulting in October 2016 and the 2018 rights issue.

3 Against a revenue-weighted index based 50% on the FTSE All Share Construction & Materials Index and 50% on the FTSE All Share Support Services Index (representing the Group's approximate prior year revenue mix at the date of grant).

4 After adjusting for the effects of the 2018 rights issue. Measured by taking the average (mean) of (i) the Group's net debt/cash position as at 30 June 2017, 2018 and 2019 and (ii) the Group's EBITDA for each of the 2017, 2018 and 2019 financial years.

Incentive awards made during the 2019 financial year

The following incentive awards were made to each of the Executive Directors during the 2019 financial year:

Award	Basis of award	Director[1]	Face value[2]	Potential award for threshold performance	End of performance period	Vesting date	Difference between exercise price and face value	Performance measures
LTIP	150% of base salary for the year ended 30 June 2019	Bev Dew Haydn Mursell Claudio Veritiero	– – £613,147	25% of face value	30 June 2021	22 October 2021	n/a	Awards are based 50% on three-year compound EPS growth, 25% on TSR performance against a comparator group and 25% on net debt : EBITDA
Deferred shares	1/3 of the net bonus for the year ended 30 June 2018	Nigel Brook Bev Dew Haydn Mursell Nigel Turner Claudio Veritiero	£57,132 £61,916 £102,577 £57,132 £57,794	n/a	n/a	1 October 2021	n/a	n/a (subject to malus)
SIP	Matching shares purchased in accordance with the SIP rules	Nigel Brook Bev Dew Haydn Mursell Nigel Turner Claudio Veritiero	£50 £1,337 £384 £50 £1,331	n/a	n/a	n/a	n/a	Continued service condition

1 The LTIP award granted to Haydn Mursell has lapsed. The LTIP award granted to Bev Dew will lapse upon the commencement of his garden leave. Andrew Davies did not receive an LTIP award on appointment.

2 For the LTIP awards, 'face value' is calculated using the market price of a share in the capital of the Company on 19 October 2018 of £8.95. For the deferred share awards, 'face value' is calculated using the market price of a share in the capital of the Company on 28 September 2018 of £9.06. For the SIP, 'face value' is calculated using the total number of shares bought on behalf of the relevant individuals during the 2019 financial year and an average share price for matching share purchases during the year of £6.19.

The performance conditions (and respective weightings) and targets for the LTIP awards which were granted during the 2019 financial year are set out in the table below. The awards will, subject to the satisfaction of the performance conditions, vest on the third anniversary of the grant date (22 October 2021).

Performance condition	Weighting	Targets
Compound EPS growth[1]	50%	0% vesting for below 5% p.a. 25% vesting for 5% p.a. 100% vesting for 13% p.a. Straight-line vesting between all points
TSR outperformance[2]	25%	0% vesting for performance below median constituent of comparator group 25% vesting for performance in line with median constituent of comparator group 100% vesting for performance 10% above the median constituent of comparator group Straight-line vesting between all points
Net debt : EBITDA performance[3]	25%	0% vesting for above 1.05:1 25% vesting for 1.05:1 62.5% vesting for 1:1 100% vesting for 0.95:1 Straight-line vesting between all points

1 The number of shares used for the purposes of calculating EPS growth was adjusted to reflect the sale of Mouchel Consulting in October 2016 and the 2018 rights issue.

1 The peer group comprises a basket of 11 sector comparators: Balfour Beatty, Costain, Galliford Try, Henry Boot, Interserve, Mears, Mitie, MJ Gleeson, Morgan Sindall, Renew Holdings and SEGRO. Interserve has been retained in the peer group following its administration and the Committee will review the level of vesting of TSR performance condition at the end of the performance period (30 June 2021) to ensure that it reflects the Group's relative TSR performance.

2 Measured by taking the average (mean) of (i) the Group's net debt/cash position as at 30 June 2019, 2020 and 2021 and (ii) the Group's EBITDA for each of the 2019, 2020 and 2021 financial years.

Payments for loss of office

No payments were made for loss of office during the 2019 financial year.

Payments to past Directors

The payments made during the 2019 financial year to Nigel Brook and Nigel Turner, each of whom left the Board on 1 August 2018, are summarised on pages 96 and 97 of the 2018 Annual Report.

On 22 January 2019, Haydn Mursell ceased to be a Director of the Company, following which notice of termination of his employment was served by the Company to expire on 23 January 2020. Mr. Mursell was on garden leave from the date on which notice was served and received his monthly salary and contractual remuneration from that date. Mr. Mursell agreed with the Company that his employment would terminate on 8 August 2019 (the Termination Date).

Pursuant to his service agreement, and in accordance with the Company's remuneration policy, following the Termination Date, Mr. Mursell has received, and will continue to receive, monthly payments in lieu of notice (PILON), comprising payments in respect of his base salary, pension contribution and car allowance, for the period from the Termination Date to (and including) 23 January 2020 (the PILON Period). Mr. Mursell and his family continue, and will continue, to be covered by the Company's private medical insurance until 23 January 2020 or, if earlier, the date on which he commences new employment which provides a similar benefit. The monthly payments in lieu of notice, after deducting the cost to Mr. Mursell of private medical cover for his family, are £62,904.29 in August 2019 to December 2019 (inclusive) and £46,471.68 in January 2020. These payments will be reduced by any income obtained by Mr. Mursell from any new employment or engagement in the PILON Period.

In accordance with its remuneration policy, the Company contributed towards (i) the cost of outplacement services for Mr. Mursell (subject to a cap of £5,000, excluding VAT) and (ii) his legal fees in connection with entering into a settlement agreement governing the termination of his employment (subject to a cap of £12,500, excluding VAT).

Mr. Mursell will not receive an annual bonus for the financial years ended 30 June 2019 and 30 June 2020. His allocations of deferred shares with respect to bonuses in 2016, 2017 and 2018 will be released at the expiry of the respective three-year holding periods in 2019, 2020 and 2021 (subject, if appropriate, to any reduction for malus).

Mr. Mursell's 2016, 2017 and 2018 LTIP awards have lapsed.

All payments are subject to deductions for tax and national insurance contributions.

The payments made during the 2020 financial year to Bev Dew following the commencement of his garden leave will be summarised in the 2020 Annual Report.

Directors' shareholdings and share interests

The Committee encourages the Executive Directors to build up a shareholding in the Company of at least two years' base salary, to be accumulated over a period of up to five years. Executive Directors are therefore encouraged to retain any shares allocated to them as part of the annual bonus arrangements and upon the vesting of LTIP awards until this shareholding has been reached. The following table sets out details, as at 30 June 2019 (or the date on which the relevant individual left the Board, as the case may be), of the shareholdings and share interests of those persons (together with, where relevant, the shareholdings and share interests of their connected persons) who, during the 2019 financial year, served as a Director:

	Shares held				Options held				
Director	Owned outright or vested[1]	Vested but subject to a holding period[2]	Unvested and subject to performance conditions[3]	Unvested and subject to continued employment[4]	Vested but not exercised	Unvested and subject to continued employment[5]	Shareholding guideline (% of salary)	Current shareholding (% of salary)[6]	Guideline met?
Justin Atkinson	4,920	–	–	–	–	–	n/a	n/a	n/a
Constance Baroudel	4,640	–	–	–	–	–	n/a	n/a	n/a
Kirsty Bashforth	3,351	–	–	–	–	–	n/a	n/a	n/a
Philip Cox	8,300	–	–	–	–	–	–	–	n/a
Andrew Davies	–	–	–	–	–	–	–	–	No
Bev Dew	36,427	13,872	–	368	–	–	200	13.3	No
Claudio Veritiero	58,122	13,172	162,170	367	–	–	200	18.8	No
Adam Walker	7,567	–	–	–	–	–	n/a	n/a	n/a
Nigel Brook	20,247[7]	13,099	47,359	–	–	–	n/a	n/a	No
Haydn Mursell	121,383[7]	21,898	–	214	–	–	n/a	n/a	No
Nigel Turner	32,093[7]	13,099	47,359	–	–	–	n/a	n/a	No
Nick Winser	5,999[7]	–	–	–	–	–	n/a	n/a	n/a

1 Comprising shares held legally or beneficially by the relevant Director or their connected persons (including partnership shares, dividend shares and matching shares purchased before 30 June 2016 under the SIP – see 'Share Incentive Plan' on page 88.

2 Comprising deferred shares allocated to the relevant Director in connection with annual bonuses. See 'Deferred shares' below.

3 Comprising unvested LTIP awards. The LTIP awards granted to Nigel Brook and Nigel Turner in October 2016 and October 2017 were pro rated to reflect their active service with the Group during the performance periods for the awards. All unvested LTIP awards granted to Haydn Mursell have lapsed. All unvested LTIP awards granted to Bev Dew will lapse upon the commencement of his garden leave.

4 Comprising matching shares purchased after 30 June 2016 under the SIP. See 'Share Incentive Plan' on page 88.

5 Comprising options under the SAYE schemes. See 'Save As You Earn schemes' on page 89.

6 Calculated by reference to (i) shares owned outright by the Director or his/her connected persons and (ii) deferred shares allocated in connection with annual bonuses, using the market price of a share in the capital of the Company on 28 June 2019 of £1.06 and (iii) gross base salaries for the year ended 30 June 2019.

7 At the date of leaving the Board.

Since 30 June 2019, the Executive Directors have acquired beneficial interests in ordinary shares in the capital of the Company under the SIP, as referred to on page 88.

Deferred shares

Those persons who, during the 2019 financial year, served as a Director beneficially owned, at 30 June 2019, the following numbers of shares in the capital of the Company as a result of awards of deferred shares made (in part satisfaction of annual bonus payments) in each of the years indicated:

Director	2017 award	2018 award	2019 award	Cumulative total 30 June 2019
Nigel Brook	4,107	2,686	6,306	13,099
Andrew Davies	–	–	–	–
Bev Dew	4,400	2,638	6,834	13,872
Haydn Mursell	6,222	4,354	11,322	21,898
Nigel Turner	4,107	2,686	6,306	13,099
Claudio Veritiero	4,107	2,686	6,379	13,172
Date of award	29 September 2016	29 September 2017	1 October 2018	–
Share price used for award[1]	1,355 pence	1,149 pence	906 pence	–
End of holding period	29 September 2019	29 September 2020	1 October 2021	–

1 The market price of a share in the capital of the Company from the business day immediately prior to the date of the award, being 28 September 2016, 28 September 2017 and 28 September 2019, respectively.

LTIP awards

Those persons who, during the year ended 30 June 2019, served as a Director held LTIP awards over the following maximum numbers of shares in the capital of the Company at 30 June 2019:

Director	2017 award[1]	2018 award[1]	2019 award[1]	Cumulative total 30 June 2018	Cumulative total 30 June 2019[1]
Nigel Brook[2]	28,203	19,156	–	84,161	47,359
Andrew Davies	–	–	–	–	–
Bev Dew[3]	–	–	–	138,914	–
Haydn Mursell[3]	–	–	–	207,877	–
Nigel Turner[2]	28,203[3]	19,156[3]	–	84,161	47,359
Claudio Veritiero	40,614	53,048	68,508	129,663	162,170
Date of award	21 October 2016	23 October 2017	22 October 2018	–	–
Share price used for award[4]	1,368 pence	1,079 pence	895 pence	–	–
End of performance period	30 June 2019	30 June 2020	30 June 2021	–	–

1 The maximum number of shares under each award has been adjusted for the effects of the 2018 rights issue, using an HMRC formula.

2 Each LTIP award granted to Nigel Brook and Nigel Turner was pro rated to reflect the individual's active service during the relevant performance period.

3 Each LTIP award granted to Haydn Mursell has lapsed. Each LTIP award granted to Bev Dew will lapse on commencement of garden leave.

4 The market price of a share from the business day immediately prior to the date of the award.

The performance conditions for the 2017 and 2018 awards are set out in the Annual Reports in respect of the years in which the awards were made. The performance conditions for the 2019 award are set out on page 86.

Share Incentive Plan

Those persons who, during the year ended 30 June 2019, served as a Director beneficially owned the following numbers of shares as a result of purchases under the SIP at 30 June 2019:

Director	Unrestricted shares	Partnership shares	Dividend shares	Matching shares (<3 years)	Matching shares (>3 years)	Cumulative total 30 June 2019
Nigel Brook[1]	–	–	–	–	–	–
Andrew Davies	–	–	–	–	–	–
Bev Dew	5	893	163	368	79	1,508
Haydn Mursell[2]	751	651	180	214	112	1,908
Nigel Turner[1]	–	–	–	–	–	–
Claudio Veritiero	656	1,010	380	367	138	2,551

1 All shares were released to Nigel Brook and Nigel Turner during the 2019 financial year.

2 Mr Mursell's shares have not been released at the date of this Annual Report.

Under the SIP, any amount saved by a participant will be applied by the trustee of the SIP to make monthly purchases of shares on his/her behalf – 'partnership shares'. The Company matches purchases through the SIP (currently at the rate of one free share for every two shares purchased) – 'matching shares' and the trustee reinvests cash dividends to acquire further shares on behalf of the participants – 'dividend shares'.

Matching shares which have been purchased within three years of the termination of an individual's employment may, depending on the circumstances of such termination, be forfeited. 'Unrestricted shares' are partnership, dividend and matching shares which were purchased more than five years from the relevant date and can be withdrawn from the SIP trust by the participants without incurring income tax or national insurance liability. Details of the number of matching shares purchased during the year are set out in the table in the paragraph headed 'Incentive awards made during the 2019 financial year' on page 85.

At 25 September 2019, the Company had been notified that Bev Dew and Claudio Veritiero had acquired beneficial interests in 640 shares and 641 shares, respectively, under the SIP since 30 June 2019. There have been no other changes in the interests of the Directors (or their connected persons) in the ordinary shares in the capital of the Company since 30 June 2019.

Save As You Earn schemes

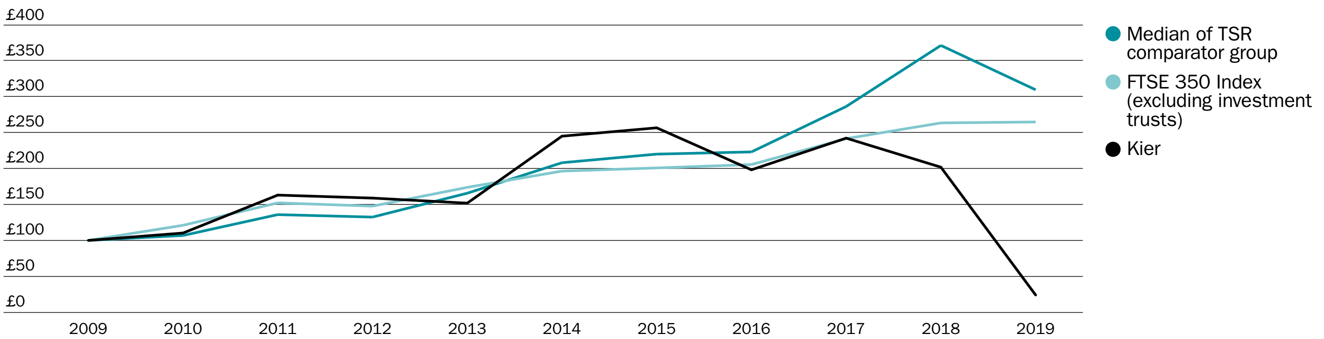
Those persons who, during the 2019 financial year, served as a Director had the following options under the Kier Group plc 2006 Sharesave Scheme and/or the Kier Group plc Sharesave Scheme 2016 at 30 June 2019:

Director	Date granted	Maximum number of shares receivable at 1 July 2018[1]	Awarded during the year	Exercised during the year	Lapsed during the year[1]	Maximum number of shares receivable at 30 June 2019	Exercise price[1]	Exercise period
Nigel Brook	30 October 2015	797	–	–	797	–	1,127 pence	1 December 2018 – 31 May 2019
	1 November 2017	931	–	–	931	–	966 pence	1 December 2020 – 31 May 2021
Bev Dew	30 October 2015	1,596	–	–	1,596	–	1,127 pence	1 December 2018 – 31 May 2019
Nigel Turner	1 November 2017	931	–	–	931	–	966 pence	1 December 2020 – 31 May 2021
Claudio Veritiero	1 November 2017	1,836	–	–	1,836	–	966 pence	1 December 2020 – 31 May 2021

1 The maximum number of shares and the exercise price under all awards were adjusted for the effects of the 2018 rights issue, using an HMRC formula.

Total shareholder return

The graph below shows the value, at 30 June 2019, of £100 invested in shares in the capital of the Company on 30 June 2009, compared with the value of £100 invested in (i) an index comprising those companies selected as the comparator group for the 2019 LTIP award (see page 86) and (ii) the FTSE 350 (excluding investment trusts). The LTIP comparator group was chosen because it comprises companies with which the Group competes across the range of services that it provides and the FTSE 350 was chosen to illustrate the Group's performance against a broad equity market index of the UK's leading companies. The other points plotted are the values at 30 June during the 10-year period.



Chief Executive's remuneration

The table below sets out the total remuneration of the Chief Executive paid with respect to each financial year indicated:

Chief Executive	Year	Chief Executive single figure of remuneration (£000)[1]	Annual bonus payout against maximum opportunity (%)	LTIP vesting against maximum opportunity (%)
John Dodds/Paul Sheffield	2010	£938[2]	51%	–
Paul Sheffield	2011	£753	69%	–
	2012	£1,273	75%	100%
	2013	£987	49%	31%
	2014	£1,099	68%	33%
Haydn Mursell	2015	£1,079	92%	–
	2016	£1,311	90%	34%
	2017	£1,199	48%	29%
	2018	£1,459	75%	24%
	2019[3]	£423	–	–
Andrew Davies	2019[3]	£140	–	–

1 All figures are rounded to the nearest £1,000.

2 Comprising £700,000 for John Dodds and £238,000 for Paul Sheffield (as Chief Executive). Mr. Dodds retired from the Board on 31 March 2010 and, during the 2010 financial year, was also paid £387,000 in respect of the remainder of his notice period under his service agreement.

3 Haydn Mursell stood down as Chief Executive on 22 January 2019 and Andrew Davies was appointed with effect from 15 April 2019.

Annual report on remuneration / continued

Percentage change in the Chief Executive's remuneration

The table below shows the percentage changes in base salary, taxable benefits and annual bonus of the Chief Executive in the 2019 financial year, as compared to the 2018 financial year, together with the approximate comparative average figures for those employees who were eligible for salary reviews on 1 July of each year and who were not subject to collective agreements. This section of the employee population (comprising approximately 9,000 individuals across a number of levels) is considered to be the most appropriate group for comparison purposes, as its remuneration is controlled by the Group and is subject to similar external market forces as those that relate to the Chief Executive's remuneration. Approximately 850 employees are eligible to receive a bonus.

Element of remuneration	Chief Executive change	Other employees change
Base salary[1]	- 23.9%	2.85%
Taxable benefits[1]	- 7.7%	7.0%
Annual bonus	- 100%	- 100%

1 Calculated by reference to Haydn Mursell's base salary and taxable benefits from 1 July 2018 to 22 January 2019 and Andrew Davies' base salary and taxable benefits from 15 April 2019 to 30 June 2019. Does not include the fee paid to Philip Cox as Executive Chairman between 22 January 2019 and 15 April 2019.

Relative importance of spend on pay

The graph below shows the percentage changes in the total employee remuneration and dividends paid between the 2018 and 2019 financial years:

Total employee remuneration (£m)

Dividend (£m)

Employee remuneration is remuneration paid to or receivable by all employees of the Group and is explained in note 7 to the 2019 consolidated financial statements on page 134.

The dividend figures in the chart comprise the dividends paid in the 2018 and 2019 financial years (as stated in note 10 to the 2019 consolidated financial statements on page 143), being, respectively, (i) the final dividend for the 2017 financial year and the interim dividend for the 2018 financial year; and (ii) the final dividend for the 2018 financial year and the interim dividend for the 2019 financial year.

Implementation of the remuneration policy in 2020

Executive Directors' base salary

The base salaries of the Executive Directors for the 2020 financial year are as follows:

Director	From 1 July 2018	From 1 July 2019	Percentage increase
Andrew Davies	£595,000[1]	£595,000	–
Bev Dew	£401,700	£401,700	–
Simon Kesterton	–	£475,000[2]	n/a
Claudio Veritiero	£401,700[3]	£401,700	–

1 Payable with effect from his appointment on 15 April 2019.

2 Payable with effect from his appointment on 26 August 2019.

3 Payable with effect from his appointment as Chief Operating Officer on 1 August 2018. His previous base salary was £375,000.

Annual bonus

In the 2020 financial year, the maximum annual bonus opportunity for each of the Chief Executive and the Chief Financial Officer will be 125% of base salary and 115% of base salary for the Chief Operating Officer. Neither Haydn Mursell nor Bev Dew will receive a bonus award for the 2020 financial year.

The bonus targets are expected to relate to profit (40%), average month-end net debt/cash position (40%), the Group's safety performance (10%) and personal objectives (10%). The actual targets and performance against them will be disclosed in the 2020 Annual Report. One-third of the net bonus will be satisfied by an allocation of shares, deferred for three years. Clawback provisions will apply for a three-year period following any bonus payment.

LTIP awards

In the 2020 financial year, the Chief Executive will be granted an LTIP award of 200% of base salary, the Chief Financial Officer will be granted an LTIP award of 175% of base salary and the Chief Operating Officer will be granted an LTIP award of 150% of base salary. Neither Haydn Mursell nor Bev Dew will receive an LTIP award in the 2020 financial year.

The performance conditions for these awards are expected to relate to EPS growth (50%), TSR outperformance (25%) and the Group's average month-end net debt/cash position : EBITDA performance (25%) over the three-year period ending 30 June 2022. The actual performance conditions will be disclosed in the 2020 Annual Report. A two-year holding period will apply to any vested awards.

Pension and taxable benefits

The pension contributions or cash allowances payable on behalf of or to the Executive Directors in the 2020 financial year are:

Andrew Davies	7.5%
Bev Dew	20%
Simon Kesterton	7.5%
Claudio Veritiero	20%

The Executive Directors will also continue to receive private health insurance and either a company car or a car allowance of £11,900 per annum (unchanged from the 2019 financial year).

Non-Executive Directors' fees

There will be no increase in the fees payable to the Non-Executive Directors for the 2020 financial year. The total fees payable to the Non-Executive Directors with effect from 1 July 2019 are as follows:

Director	Base fee from 1 July 2019	Chair of Board committee fee from 1 July 2019	Senior Independent Director fee from 1 July 2019	Total from 1 July 2019
Justin Atkinson	£51,500	–	£10,000	£61,500
Constance Baroudel	£51,500	£10,000	–	£61,500
Kirsty Bashforth	£51,500	£10,000	–	£61,500
Philip Cox[1]	£235,000	–	–	£235,000
Adam Walker	£51,500	£10,000	–	£61,500

1 Philip Cox did not receive an additional fee when acting as the Executive Chairman between 22 January and 15 April 2019 and does not receive a fee for his work as the Chair of the Nomination Committee.

The Remuneration Committee

Membership and meeting attendance

The names of the members of the Committee are set out on page 78, together with an indication of the Committee's principal activities during the 2019 financial year. The Chief Executive, the Group HR Director and the Group Reward and Pensions Director are invited to attend Committee meetings. No individuals are involved in decisions relating to their own remuneration. Details of the Committee's meetings during the year are set out on page 53. The secretary of the Committee is the Company Secretary. The Committee's terms of reference can be viewed on the Company's website at www.kier.co.uk/corporategovernance.

Principal activities – 2019 financial year

The annual statement of the Chair of the Remuneration Committee on pages 78 and 79 provides a summary of the Committee's principal activities during the year.

Committee performance evaluation

During the 2019 Board evaluation, members of the Committee identified the following areas of focus for the 2020 financial year:

- aligning remuneration with the Group's revised strategy;
- as part of the policy review, considering ways to reduce any complexity in the Group's remuneration arrangements; and
- continuing to link payment practices within the wider Group to executive remuneration.

Advisers

During the 2019 financial year, the Committee received advice from Mercer (Jenny Martin and Stuart Harrison) and Deloitte (Juliet Halfhead and Ed Evans). Fees of £11,435 (excluding VAT) were payable in respect of Mercer's services as remuneration advisers during the year and fees of £27,900 (excluding VAT) were payable in respect of Deloitte's services as remuneration advisers during the year. Both Mercer and Deloitte are signatories to the Code of Conduct for Remuneration Consultants which has been developed by the Remuneration Consultants Group. During the year, Deloitte also provided financial advisory services and employment taxes advice. The Committee was satisfied that the advice it receives from Mercer and Deloitte is objective and independent. The Committee also receives support from the Company Secretary (Hugh Raven), the Group HR Director (Helen Redfern) and the Group Reward and Pensions Director (Mark Bradshaw).

Shareholder voting

The Directors' Remuneration Report was subject to a shareholder vote at the 2018 AGM. The results of the vote on the resolution approving the report were:

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
51,472,277	99.01%	512,853	0.99%	840,500

The remuneration policy was subject to a shareholder vote at the 2017 AGM. The results of the vote on the resolution approving the policy were:

Votes for[1]	Percentage votes for	Votes against[2]	Percentage votes against	Votes withheld
45,132,928	90.28%	4,860,934	9.72%	7,311,115

1 Includes those votes for which discretion was given to the Chairman.

2 Does not include votes withheld.

Directors' remuneration policy – summary

Introduction

The Company's remuneration policy, which was approved at the AGM on 17 November 2017, will continue to apply in the 2020 financial year. The Committee has included the policy table and certain other extracts from the policy in this year's report for ease of reference and so as to provide context for the decisions taken by the Committee during the 2019 financial year. Where relevant, references to opportunities, targets and performance conditions in the policy have been updated to refer to 2019 or 2020 opportunities, targets and performance conditions. Certain other non-material changes to the description of the operation of the policy have also been made. The full policy is set out on pages 86 to 93 (inclusive) of the 2017 Annual Report, which can be found on Kier's website at www.kier.co.uk/investor-relations/2017-annual-report.

Future policy table

The Group's policy for each element of an Executive Director's remuneration is set out in the table below:

Element and link to strategy	Operation
Base salary To attract and retain Executive Directors of the calibre required to deliver the Group's strategy	Salaries are reviewed annually by reference to a number of factors, including an individual's experience, performance and role within the Group, the external market (including FTSE companies of a similar size and sector peers) and any increase awarded to the wider employee population. Any increase is typically effective from 1 July.
Benefits To provide benefits which are competitive with the market	Benefits are reviewed from time to time and typically include, but are not limited to, a company car or car allowance, private health insurance and life assurance. Business-related expenses which are deemed to be taxable form part of the benefits provided. In certain circumstances, the Committee may also approve the provision of additional benefits or allowances – for example, the relocation of an Executive Director to perform his or her role.
SAYE scheme To encourage ownership of the Company's shares	One or more HMRC-approved schemes allowing all employees, including Executive Directors, to save up to the maximum limit specified by HMRC rules. Options are granted at up to a 20% discount.
Share Incentive Plan To encourage ownership of the Company's shares	An HMRC-approved scheme which is open to all UK tax resident employees of participating Group companies. Executive Directors are eligible to participate. The plan allows employees to purchase shares out of pre-tax income. The Company may match shares purchased with an award of free shares. Matching shares may be forfeited if employees leave within three years of their award, in accordance with the SIP rules. The plan trustees can reinvest cash dividends to acquire further shares on behalf of participants.
Pension To provide a retirement benefit which is competitive with the market	Executive Directors participate in a defined contribution scheme.
Annual bonus To reward the delivery of near-term performance targets and business strategy	The Company operates a discretionary bonus scheme. Performance measures and targets are set by the Committee at the start of the year. Payments are based on an assessment of performance at the end of the year. Clawback will apply to any cash bonus paid in respect of the financial year ended 30 June 2018 and future years. One-third of any net payment is satisfied by an allocation of Kier Group plc shares, which is deferred for three years (subject to early release for 'good leavers' and upon a takeover) and is subject to a malus provision. Dividend payments accrue on deferred bonus shares over the deferral period. See 'Malus and clawback' on page 94.
LTIP To reward the sustained strong performance by the Group over three years	Awards are made annually and vest, subject to the achievement of performance conditions, at the end of a three-year performance period. At the start of each performance period, the Committee sets performance targets which it considers to be appropriately stretching. Awards are satisfied in the form of a deferred, contingent right to acquire shares in the Company, at no cost to the individual. A two-year post-vesting holding period will apply to awards granted in 2017 and future years. Dividend equivalents (in respect of vested shares) will apply to those awards granted after shareholder approval of this policy and, subject to approval of (i) this policy and (ii) any necessary changes to the LTIP rules, to those awards granted shortly prior to the 2017 AGM. A malus provision applies to awards pre-vesting and a clawback provision applies to the post-vesting holding period. See 'Malus and clawback' on page 94. If an event or series of events occurs as a result of which the Committee deems it fair and reasonable that the performance conditions should be modified, the Committee has discretion during the vesting period to modify them. Any modified performance conditions must be no more difficult to satisfy than the original performance conditions were when first set. Any use of Committee discretion with respect to modifying performance conditions will be disclosed in the relevant Annual Report. The awards are subject to the terms of the LTIP and the Committee may adjust or amend the awards only in accordance with the LTIP rules.

Opportunity	Performance measures
Any increase will typically be in line with those awarded to the wider employee population. The Committee has discretion to award higher increases in circumstances that it considers appropriate, such as a material change in the complexity of the business or an individual's responsibility. Details of salary changes will be disclosed in the Annual Report.	Continued strong performance.
Benefits are set at a level which the Committee considers appropriate in light of the market and an individual's circumstances.	None.
The maximum amount that may be saved is the limit prescribed by HMRC (or such other lower limit as determined by the Committee) at the time employees are invited to participate in a scheme. Typically, employees are invited to participate on an annual basis.	None.
Participants can purchase shares up to the prevailing limit approved by HMRC (or such other lower limit as determined by the Committee) at the time they are invited to participate. The Company currently offers to match purchases made through the plan at the rate of one free share for every two shares purchased.	None.
For current Executive Directors, the maximum employer contribution is 20% of pensionable salary. Executive Directors may elect to receive all or part of the employer contribution as a taxable cash supplement.	None.
The maximum potential bonus for the financial year ended 30 June 2019 was 125% of base salary for the Chief Executive and 115% of base salary for other Executive Directors. The maximum potential bonus for the financial year ending 30 June 2020 will be 125% of base salary for the Chief Executive and Chief Financial Officer and 115% for the Chief Operating Officer. 'Threshold' performance, for which an element of bonus may become payable under each component of the annual bonus, is set by the Committee at the start of each financial year. The level of bonus for achieving threshold performance varies by performance measure, and may vary for a measure from year to year, to ensure that it is aligned with the Committee's assessment of the degree of difficulty (or 'stretch') in achieving it.	The Committee has discretion to determine the performance measures and their relative weightings each year. The weighting towards non-financial measures will be no higher than 25% of the maximum potential bonus. The Committee has discretion to adjust bonus payments to ensure that they accurately reflect business and safety performance over the performance period and are fair to shareholders as well as recipients. Actual targets for each performance measure (and performance against each of these targets), and any use by the Committee of its discretion with respect to bonus payments, will be disclosed in the Annual Report immediately following the end of the performance period.
The maximum award under the rules of the plan is 200% of base salary. The Committee may grant awards of up to the maximum permitted under the LTIP rules when it considers it appropriate to do so. The reasons for an award in excess of 150% of salary will be disclosed in the relevant Annual Report. Each Executive Director received an LTIP award of 150% of base salary in the financial year ended 30 June 2019. In the financial year ending 30 June 2020, the Chief Executive will receive an LTIP award of 200% of base salary, the Chief Financial Officer will receive an LTIP award of 175% of base salary and the Chief Operating Officer will receive an LTIP award of 150% of base salary. On achieving the threshold performance level for each element of the award, 25% of the relevant element of the award will vest. Vesting is on a straight-line basis between threshold and maximum levels of performance.	The performance conditions for the LTIP awards to be granted in the 2020 financial year are expected to relate to EPS growth (50%), TSR outperformance (25%) and the Group's average month-end net/cash: EBITDA performance (25%) over the three-year period ending 30 June 2022. Further information on these awards will be included in the 2020 Annual Report.

Directors' remuneration policy – summary / continued

Payments from outstanding awards

The Company will honour any commitment entered into, and the Executive Directors will be eligible to receive payment from any award or arrangement made, (i) before this policy came into effect, provided that the terms of the commitment or payment are consistent with this policy or preceded it, or (ii) at a time when the relevant individual was not a Director and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director. For these purposes, 'payment' includes the satisfaction of awards of variable remuneration and, in relation to awards of shares, upon the terms which were agreed when the award was granted.

Notes to the policy table

Malus and clawback

Allocations of shares in part satisfaction of annual bonus payments and unvested LTIP awards will be subject to a 'malus' provision during the deferral period and the period prior to vesting, respectively.

This allows the Committee to determine, in its absolute discretion, that (i) the level of an unvested LTIP award (or part of an award) is reduced (including to nil) and/or (ii) the number of deferred shares is reduced (including to nil) in certain circumstances. Examples of such circumstances include, but are not limited to:

- a material misstatement of the Group's financial statements;
- a material error in determining the level of satisfaction of a performance condition or target;
- a participant's action/omission resulting in material reputational damage to the Group;
- a participant deliberately misleading the Company, the market and/or shareholders in relation to the financial performance of the Group;
- a participant's employment being terminated in circumstances of gross misconduct and/or circumstances justifying summary dismissal; and
- other circumstances similar in nature to those listed above which the Committee considers justifies the application of malus.

The Committee has the right to apply the malus provision to an individual or on a collective basis.

Clawback applies to (i) the cash element of the annual bonus for the 2018 financial year and future years (and may be applied up to three years following payment of the bonus) and (ii) the two-year post-vesting holding period which applies to LTIP awards granted from the 2018 financial year and future years. The Committee expects that the circumstances in which clawback will apply will be the same (or substantially the same) as for malus. The clawback may be effected by a reduction in: the number of deferred bonus shares previously allocated, the number of vested or unvested LTIP awards or salary or by repayment from an individual's own funds or by any combination of these.

Executive Director shareholding guidelines

The Committee encourages Executive Directors to accumulate a shareholding in the Company of at least two years' base salary over a period of up to five years. Executive Directors are encouraged to retain any shares allocated to them as part of the annual bonus arrangements and 50% of the shares allocated to them upon the vesting of LTIP awards (net of tax) until they reach this level of shareholding.

Selection of performance measures and approach to setting targets

The annual bonus targets are determined annually. The Committee believes that using a number of targets provides a balanced incentive. The targets are aligned to, and are designed to support the delivery of, the Group's strategy.

In relation to the LTIP awards, the Committee selects performance conditions which are designed to align performance to shareholders' interests and the Group's long-term strategy.

Annual bonus targets and performance conditions for LTIP awards are reviewed before the awards are made, based on a number of internal and external reference points. The Committee intends that targets and performance conditions will be stretching but achievable and will align management's interests with those of shareholders.

Approach to setting the remuneration of other employees

Kier's approach to setting annual remuneration is broadly consistent across the Group. Consideration is given to the experience, performance and responsibilities of individuals as well as to publicly available external benchmarking data, to the extent considered necessary or appropriate. Certain grades of senior employees are eligible to participate in an annual bonus scheme with similar performance measures to those used for the Executive Directors. Maximum opportunities and specific performance measures vary by seniority, with business-specific measures applied where appropriate. Senior managers (currently, approximately 320 individuals) are also eligible to participate in a long-term share incentive plan under which awards will normally vest after three years, subject to continued employment. Award sizes vary according to seniority and responsibility.

Approach to remuneration on recruitment

External appointment

When recruiting a new Executive Director from outside the Group, the Committee may make use of all the existing components of remuneration. In addition, the Committee may consider it appropriate to grant an award under an alternative scheme or arrangement in order to facilitate recruitment of an individual, subject to the policy set out below:

Component	Approach
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, the experience and skills of the individual, internal relativities and the appointee’s current base salary. Where a new appointee has an initial base salary set below the market median, any subsequent adjustment will be managed by the Committee, using (where appropriate) phased increases and subject to the individual’s development in the role.
Benefits	New appointees will be eligible to receive benefits in line with the remuneration policy, which may also include (but are not limited to) any necessary expenses relating to expatriation or relocation on recruitment.
SAYE schemes	New appointees will be eligible to participate on the same terms as all other employees.
SIP	New appointees will be eligible to participate on the same terms as all other employees.
Pension	New appointees will receive pension contributions of up to 20% of pensionable salary into a defined contribution pension arrangement or an equivalent taxable cash supplement or a combination of both.
Annual bonus	The annual bonus structure described in the remuneration policy will apply to new appointees (including the maximum opportunity), pro rated in the year of joining to reflect the proportion of that year employed. One-third of any bonus earned will be deferred into shares.
LTIP	New appointees may be granted awards under the LTIP of up to 200% of salary.
‘Buy-out’ awards	The Committee may consider it appropriate to grant a ‘buy-out’ award (with respect to either a bonus or a share-based incentive scheme) under an alternative scheme or arrangement in order to facilitate recruitment. When doing so, the Committee may, to the extent required, exercise the discretion available under Listing Rule 9.4.2. Any such ‘buy-out’ award would have a fair value no higher than that of the award forfeited. In granting any such award, the Committee will consider relevant factors, including any performance conditions attached to the forfeited awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

When considering any performance conditions, the Committee will, where appropriate, take into account those used in the Company’s own incentive arrangements. Where appropriate, the Committee will also consider whether it is necessary to introduce further retention measures for an individual – for example, extended deferral periods.

In determining an appropriate remuneration package, the Committee will take into consideration all relevant factors to ensure that the arrangements are in the best interests of the Company’s shareholders.

Internal promotion

When recruiting a new Executive Director through internal promotion, the Committee will set remuneration in a manner consistent with the policy for external appointments set out above (other than with respect to ‘buy-out’ awards). Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these commitments.

The remuneration of individuals below the Board is typically not greater than for Executive Directors.

Directors' remuneration policy – summary / continued

Service contracts

A summary of the key elements of the Executive Directors' service agreements (insofar as they relate to remuneration) is as follows:

Term of contract	Summary of provisions
Notice period	12 months' notice (both to and from the Executive Director).
Payment in lieu of notice (PILON)	Employment can be terminated with immediate effect by undertaking to make a PILON comprising base salary, accrued (but untaken) holiday entitlement, pension contributions or allowance, car allowance and private medical insurance. The Company is entitled to make the PILON on a phased basis, so that any outstanding payment(s) would be reduced or stopped if alternative employment is obtained.
Change of control	There are no payments due upon a change of control, although deferred bonus shares would be released.
Other entitlements on termination	There is no contractual entitlement to notice, or any other payments in respect of the period after cessation of employment, if the individual is summarily dismissed. If not required to take any remaining holiday entitlement during his/her notice period, the Executive Director will receive a payment for any accrued (but untaken) holiday entitlement. Please see 'Payments for loss of office' below for a summary of other entitlements which may be due upon termination (and which relate to remuneration).

Payments for loss of office

The Company's policy on payments for loss of office is as follows:

Component	Approach
Annual bonus	Individuals who are considered to be 'good leavers' may be considered for a bonus in relation to the year in which their active employment ceases. Any payment will normally be pro rated for length of service and performance during the year. However, the Committee retains the discretion to review the performance of the individual and the Group in general and, having done so, determine that a different level of bonus payment would be appropriate. Clawback will continue to apply to the cash element of any annual bonus payment from 2018 (until the end of the three-year clawback period). Deferred shares allocated in part satisfaction of annual bonuses may be released upon cessation of employment if an individual is a 'good leaver'. Otherwise, they will be released at the end of the three-year holding period (unless they are forfeited in the case of gross misconduct and/or circumstances justifying summary dismissal).
LTIP	If an Executive Director's employment ceases for reasons of death, ill-health, injury, disability, retirement with the agreement of the Company or his/her employing company ceasing to be a member of the Group or such other circumstances approved by the Committee, outstanding awards are retained. The Committee may also (at its discretion) permit unvested LTIP awards to vest on an accelerated basis or alternatively be retained until the vesting date. Unvested LTIP awards will, subject to Committee discretion, normally be pro rated for length of service during the performance period and will, subject to performance, normally vest at the same time as all other awards in the LTIP award cycle. Vested shares relating to awards made from 2017 are subject to the two-year post-vesting holding period, irrespective of the date on which they vest. For all other leavers, outstanding LTIP awards automatically lapse, unless the Committee exercises its discretion otherwise (taking into account the factors detailed immediately following this table).
SIP and SAYE schemes	The Executive Directors are subject to the same 'leaver' provisions as all other participants, as prescribed by the rules of the relevant scheme or plan.
Other	If the Company terminates an Executive Director's employment by reason of redundancy, the Company will make a redundancy payment to the Executive Director in line with his/her service agreement, any applicable collective bargaining agreement and applicable law and regulation. The Company may make a contribution towards an Executive Director's legal fees for advice relating to a compromise or settlement agreement and may also make other payments connected to the departure – for example, for outplacement services. With respect to any such payments, the Committee will authorise what it considers to be reasonable in the circumstances.
Change of control	Deferred bonus shares will be released and any outstanding LTIP awards may vest early (subject to the Committee's discretion, having taken into account current and forecast progress against the performance condition(s), the proportion of the vesting period which has elapsed and any other factors considered by the Committee to be relevant) and the holding period for vested LTIP awards will cease. Clawback will no longer apply to any vested LTIP awards or prior payments of cash bonuses. The rules of the SIP and the SAYE schemes will apply. No payments are due under the Executive Directors' service agreements upon a change of control.

Where appropriate, the Committee will oblige the individual to mitigate his/her losses and either offset any alternative remuneration received by the individual against any payments made by the Company for loss of office or reduce any payments to be made by the Company for loss of office to take account of any failure to mitigate when, in the reasonable opinion of the Committee, the individual has failed actively to do so.

In exercising discretion in respect of any of the elements referred to above, the Committee will take into account all factors, which it considers to be appropriate at the relevant time. These include, but are not limited to: the duration of the Executive Director's service; the Committee's assessment of the Executive Director's contribution to the success of the Group; whether the Executive Director has worked any notice period or whether a PILON is being made; the need to ensure an orderly handover of duties; and the need to compromise any claims which the Executive Director may have. Any use of Committee discretion will be disclosed in the relevant annual report on remuneration.

Consideration of employment conditions elsewhere in the Group

Employees are not formally consulted on the Executive Directors' remuneration and were not consulted during the preparation of the remuneration policy set out above. However, the Group's employee engagement survey provides an opportunity for employees to provide their opinion on their own remuneration arrangements.

The Committee takes into account the overall pay and employment conditions of employees within the Group when making decisions on the Executive Directors' remuneration. In addition, the Committee is provided with information about the proposed annual Group-wide pay review when setting the Executive Directors' salaries and is made aware of the approximate outcomes of annual bonuses within the wider workforce.

Consideration of shareholders' views

The views of shareholders, and guidance from shareholder representative bodies, are important to the Committee and provide the context for setting the remuneration of the Executive Directors. The Chair of the Committee consulted with a number of significant shareholders during the year and their views have been taken into account when preparing the remuneration policy.

The Committee will keep the remuneration policy under regular review so as to ensure that it continues to relate to the Company's long-term strategy and aligns the interests of the Executive Directors with those of the shareholders. In addition, the Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Non-Executive Director remuneration policy

General

The Non-Executive Directors' remuneration (including that of the Chairman) reflects the anticipated time commitment to fulfil their duties. Non-Executive Directors do not receive bonuses, long-term incentive awards, a pension or compensation on termination of their appointments. The policy on Non-Executive Directors' remuneration is as follows:

Element and link to strategy	Operation	Opportunity	Performance measures
Fees To attract and retain Non-Executive Directors of the calibre required and with appropriate skills and experience	Fee levels are reviewed annually with reference to individual experience, the external market and the expected time commitment required of the Director. Additional fees are payable to the Chairs of the Board's committees and to the Senior Independent Director.	Fees may be increased in line with the outcome of the annual review and will not normally exceed the increase awarded to the wider employee population. Higher increases may be awarded should there be a material change to the requirements of the role, such as additional time commitment. Any changes to fees will be disclosed in the annual report on remuneration for the relevant year.	Continued strong performance.
Benefits To reimburse Non-Executive Directors for expenses	Reasonable and necessary expenses are reimbursed, together with any tax due on them.	Expenses (including, without limitation, travel and subsistence) incurred in connection with Kier business.	Not applicable.

Recruiting Non-Executive Directors

When recruiting a new Non-Executive Director, the Committee will follow the policy set out in the table above.

Non-Executive Director letters of appointment

The Non-Executive Directors do not have service contracts but have entered into letters of appointment with the Company. The letters of appointment do not include any provisions for the payment of pre-determined compensation upon termination of appointment.

Directors' Report

Introduction

This Directors' Report and the Strategic Report on pages 2 to 47 (inclusive) together comprise the 'management report' for the purposes of Disclosure and Transparency Rule 4.1.5R.

Information incorporated by reference

The following information is provided in other appropriate sections of this Annual Report and the financial statements and is incorporated into this Directors' Report by reference:

Information	Reported in	Pages
Corporate governance	Corporate Governance Statement	48 to 77 (inclusive)
	Statement of Directors' responsibilities	100
Directors	Board of Directors	54 and 55
	Directors' Remuneration Report – Directors' shareholdings and share interests	87
Employees	Sustainability	21 to 25 (inclusive)
Financial instruments	Financial statements – note 28	170 to 174 (inclusive)
Going concern	Board statements	50
Greenhouse gas emissions	Sustainability	27 and 28
Important events since the end of the financial year	Chief Executive's review	n/a
Likely future developments	Chief Executive's review	10
Results and dividends	Chairman's statement	5

Disclosures required under Listing Rule 9.8.4R

The table below sets out the location of information required to be disclosed under Listing Rule 9.8.4R, where applicable.

Information required to be disclosed	Page(s)
(1) Amount of interest capitalised	n/a
(2) Publication of unaudited financial information	n/a[1]
(4) Long-term incentive schemes	n/a
(5) – (11) Miscellaneous	n/a
(12) – (13) Waiver of dividends	98 and 99
(14) Agreement with controlling shareholders	n/a

1 A profit forecast was set out in the Company's rights issue prospectus dated 30 November 2018 in respect of the expected underlying operating profit for the financial year ending 20 June 2020. Pursuant to subsequent announcements made by the Company (including on 3 June 2019, 17 June 2019, 1 August 2019 and 19 September 2019), such profit forecast is no longer valid and, accordingly, has not been reproduced in this Annual Report and will not be reproduced in the Company's 2020 Annual Report.

Political donations

The Company made no political donations during the year (2018: nil).

Research and development

The Group undertakes research and development activities when providing services to its clients. The total amount of the direct expenditure incurred by the Group when undertaking such activities is not readily identifiable, as the investment is typically included in the relevant project.

Share capital

As at 30 June 2019, the issued share capital of the Company consisted of 162,115,870 ordinary shares of 1 pence each. Details of changes to the ordinary shares issued and of options and awards granted during the year are set out in notes 25 and 26 to the consolidated financial statements.

Subject to the provisions of the articles of association of the Company (the Articles) and prevailing legislation, shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, if the Company has not so determined, as the Directors may decide.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, other than those that are set out in the Articles or apply as a result of the operation of law or regulation. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities in the Company.

Substantial holdings

As at 25 September 2019, the Company had been notified of the following interests in the share capital of the Company (being voting rights over such share capital), pursuant to Rule 5.1 of the Disclosure and Transparency Rules:

Shareholder	Interest[1]
Standard Life Aberdeen plc	14.9%
Woodford Investment Management Ltd	14.12%
Prudential plc group of companies	10.80%
BlackRock, Inc	5.85%
Brewin Dolphin Limited	5.01%
Charles Stanley Group plc	5.00%
Rathbone Investment Management Ltd	4.93%
Schroders plc	4.80%
Norges Bank	3.03%

1 Subject to rounding.

Securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Rights under employee share schemes

As at 30 June 2019, RBC cees Trustee Limited (RBC), as the trustee of the Kier Group 1999 Employee Benefit Trust, owned 67,513 shares (approximately 0.04% of the Company's issued share capital at that date). These shares are made available to satisfy share-based awards granted to senior management under the Group's remuneration arrangements.

As at 30 June 2019, Yorkshire Building Society (YBS) held 1,998,174 shares (approximately 1.23% of the Company's issued share capital at that date) on trust for the benefit of members of the SIP. At the same date, YBS also held 8,295 shares (approximately 0.01% of the issued share capital at that date) on trust for the benefit of members of the legacy May Gurney Share Incentive Plan. YBS does not exercise any voting rights in respect of the shares held by the trust. YBS distributes dividends received to beneficiaries under the trust (although beneficiaries may authorise YBS to vote in accordance with their instructions).

As at 30 June 2019, the trustee of the May Gurney Limited Employee Share Ownership Trust and the trustee of the May Gurney Integrated Services PLC Employee Benefit Trust held, respectively, 219,759 and 19,045 shares (in aggregate, approximately 0.15% of the Company's issued share capital at that date). These shares are made available to satisfy awards of shares under the Group's remuneration arrangements. Neither of the trustees exercises any voting rights in respect of shares held by its respective trust and each waives dividends payable with respect to such shares.

Restrictions on voting rights

No shareholder will, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums then payable by the shareholder in respect of that share have been paid or if that shareholder has been served with a disenfranchisement notice.

The Company is not aware of any agreements between holders of securities that may result in restrictions on voting rights.

Appointment and replacement of Directors

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office until the next AGM of the Company after his/her appointment and is then eligible to stand for election.

Each of the Directors, other than Bev Dew, will stand for either election or re-election by members at the 2019 AGM. Further information about the Directors' skills and experience can be found on pages 54 and 55.

The Company may by ordinary resolution, of which special notice has been given, remove any Director before the expiry of the Director's period of office.

Directors' insurance and indemnities

The Directors have the benefit of the indemnity provisions contained in the Articles and the Company maintains directors' and officers' liability insurance for the benefit of the Directors and the Company's officers. The Company and Kier Limited have also entered into qualifying third party indemnity arrangements with each of their directors in a form and scope which comply with the Companies Act 2006. Each of these arrangements remain in force as at the date of this Annual Report.

Amendment of Articles

The Articles may be amended by a special resolution of the Company's shareholders.

Powers of the Directors

Subject to the Articles, applicable law and any directions given by shareholders, the Company's business is managed by the Board, which may exercise all the powers of the Company.

Powers in relation to the Company issuing its shares

The Directors were granted authority at the AGM on 16 November 2018 to allot shares in the Company (i) up to an aggregate nominal amount of £325,533 and (ii) up to an aggregate nominal amount of £651,066 in connection with a rights issue. The Directors were also granted authority to allot shares (i) non-pre-emptively and wholly for cash up to an aggregate nominal amount of £48,830 and (ii) for the purposes of financing an acquisition or other capital investment up to a further nominal amount of £48,830.

Powers in relation to the Company buying back its shares

The Company may only buy back shares if the Articles do not prohibit it from doing so and it has received the requisite authority from shareholders in general meeting. Although the Articles do not contain any such prohibition, the Company did not request any such authority at the 2018 AGM and does not propose to do so at the forthcoming AGM.

Change of control

The Group's loan facility agreements with its UK lending banks, the note purchase agreements entered into in 2012 and 2014 in connection with the Group's US private placements of notes and the Schuldschein loan agreements entered into in May and June 2016 each contain provisions under which, in the event of a change of control of the Company, the Company may be required to repay all outstanding amounts borrowed.

Certain of the Group's commercial arrangements, including certain of its joint venture agreements, contract bond agreements and other commercial agreements entered into in the ordinary course of business, include change of control provisions.

Certain of the Group's employee share schemes or remuneration arrangements contain provisions relating to a change of control of the Company. Outstanding awards or options may become exercisable or vest upon a change of control.

There are no agreements between the Company and the Directors providing for compensation for loss of office that occurs as a result of a takeover bid (other than those referred to above).

Branches

The branches through which the Group operates are listed in note 32 to the consolidated financial statements.

Auditor

The Board has decided that PricewaterhouseCoopers LLP will be proposed as the Group's auditor for the financial year ending 30 June 2020. A resolution relating to this re-appointment will be proposed at the forthcoming AGM.

AGM

The Company's 2019 AGM will be held at 10 a.m. on 15 November 2019 at Linklaters LLP, One Silk Street, London EC2Y 8HQ.

This Directors' Report was approved by the Board and signed on its behalf by:

Hugh Raven
COMPANY SECRETARY

26 September 2019

Tempsford Hall
Sandy
Bedfordshire
SG19 2BD

Statement of Directors' responsibilities

Compliance with applicable law and regulations

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare the Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, with respect to the Group financial statements, Article 4 of the IAS Regulation.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement and for ensuring that these comply with applicable laws and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This Annual Report

Each of the Directors, whose names and functions are set out on pages 54 and 55, confirms that to the best of his or her knowledge:

- the financial statements contained in this Annual Report, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- the management report contained in this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure to auditors

Each Director who holds office at the date of approval of this Directors' Report confirms that, so far as each such Director is aware, there is no relevant audit information of which the auditor is unaware; and the Directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the Board by:

Andrew Davies
CHIEF EXECUTIVE

Bev Dew
FINANCE DIRECTOR

26 September 2019