

KIER GROUP PLC
CORPORATE
RESPONSIBILITY
UPDATE 2019



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Kier – corporate responsibility update 2019

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Responsible business, positive outcomes



ANDREW DAVIES

CHIEF EXECUTIVE

“By working on and delivering projects based in communities across the UK, we continue to play our part in delivering social, economic and environmental improvements.”



Go online to find out more at www.kier.co.uk

Our corporate website has key information covering our capabilities, markets, corporate responsibility and investor relations.

Kier has historically used the BITC CR Index and the Global Reporting Index (GRI) to develop best practice reporting on economic, social and environment themes. Kier also reports against the FTSE4Good index for FTSE 250 companies demonstrating strong environment, social and governance practices.

The operating context

In 2015, Kier outlined a five-year strategy for sustainable business – Responsible Business, Positive Outcomes (RBPO). This set out corporate responsibility targets for Kier, which we have been working to as part of the Group's overall strategy.

Over the past year, the operating environment for Kier has changed significantly. Key developments include:

- › The focus on social value by public sector clients in the UK has seen a step change, reinforced by the Social Value Act and other similar UK legislation.
- › Protecting human rights as well as preventing modern slavery and people trafficking has increased in importance, underpinned by the work of the Gangmaster and Labour Abuse Authority, and the Modern Slavery Act.
- › Globally, government socio-political movements reinforce the need for positive and urgent action on climate change.
- › The public's increasing awareness on what happens to waste, particularly plastics, is driving the need to adopt a more circular approach to resource use.
- › Within the construction sector specifically, there have been significant changes with increased public and legislative focus on the supply chain and specifically payment practices.

Following a change of leadership at Kier in April 2019 and the launch of a new Group strategy, we are focused on simplifying the Group, reducing debt and increasing cash generation.

In addition, we will be rolling out a culture of Performance Excellence, a new operational framework, with focus on governance, ownership and accountability. Corporate responsibility will be while embedded as part of Performance Excellence, whilst ensuring we continue to support local communities and work with small and medium-sized businesses.

By working on and delivering projects based in communities across the UK, we continue to play our part in delivering social, economic and environmental improvements.

Progress summary

Key Kier highlights of 2019 were:

People and communities

- › We maintained a focus on safety with the Group delivering an AIR (accident incident rate) well below the Health and Safety Executive (HSE) benchmark.
- › The continued roll-out of our health and wellbeing strategy has seen over 550 mental health first aiders trained over the year. Through their interventions and the introduction of a rapid referral system for mental wellbeing issues, we have seen a lower absence rate caused by stress-related issues.

- › Our second gender pay gap report shows our efforts to improve the diversity of our business: the median pay gap is reducing and female representation at senior manager level is improving.
- › Working with our corporate charity partner – British Heart Foundation – we have trained over 2,800 employees in CPR. This has helped spread the message about heart health and may help to save lives.
- › The Kier Foundation, working with our employees, has raised £278,563 in the last year, including funds directed to British Heart Foundation for research into cardiac arrests.
- › Through our engagement programme – Shaping Your World™ – we have trained over 500 Kier ambassadors who have engaged with almost 38,000 young people, providing career advice on construction and the built environment.
- › This year, we recorded £310m in positive social value over the last financial year, exceeding our £250m target. We also published Positive Footprints, our first report on the social impact our activities generate. This is available on our website.

Environment

- › We made progress on our energy efficiency programme, achieving a carbon reduction target of 10% per annum against our baseline.
- › We are tackling the production of waste during construction with the launch of our resource efficiency plan. This is designed to help cut the use of resources, drive efficiency in our business and help find new uses for resources at the end of the lifetime of the built environment.

Marketplace

- › Over the year, there has been a growing awareness of modern slavery and human trafficking in the UK construction industry. Kier is a signatory to the Gangmaster and Labour Abuse Authority Construction Protocol and we have taken significant steps to reduce the chances of such issues happening within our business.
- › With an increased focus on payment terms, we improved our average payment days to suppliers from 57 days to 41 days.

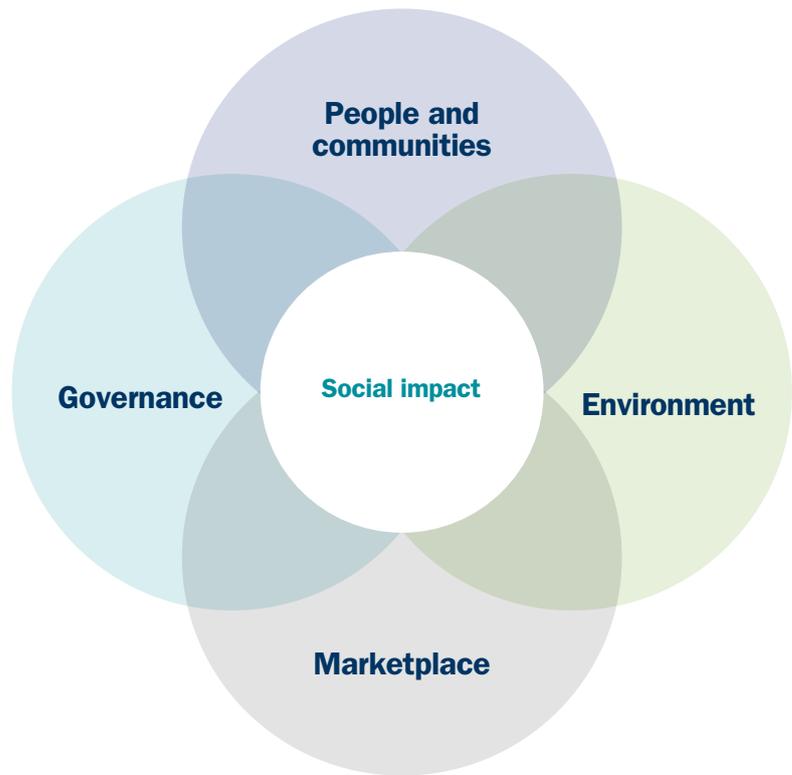
Governance

- › The Kier Corporate Responsibility Leadership Group is responsible for monitoring the Group's progress on its strategy for a sustainable business and non-financial performance. The Leadership Group has a membership drawn from our operational businesses and the Group functions. Through its work, we look to set the appropriate policies and plans that allow us to meet the requirements of our business and all its associated stakeholders.
- › The Group retained its status as a constituent company of the FTSE4Good index series.

Group performance

Performance summary

This table provides a summary of performance against the non-financial indicators in RBPO – the Group strategy for a sustainable business. It signposts to further information in this report and the Kier Group Annual Report 2019.



Key to progress:

- ✓ Achieved target
- ↑ Improved performance
- ↔ Revised target
- ↓ Performance below target



THE KIER GROUP WEBSITE HAS FURTHER DETAIL AVAILABLE:
WWW.KIER.CO.UK/CORPORATERESPONSIBILITY

Performance area	Target	Progress	More in this report
People and communities			
Safety, health and wellbeing	Zero AIR	↓	UK reportable accidents were stable year-on-year at 42 resulting in an increase in the reportable accident incident rate (AIR) by 8% to 104 (2018: 96); this remains significantly below the HSE benchmark. Our Group all accident incident rate (AAIR) reduced by 10% to 354 (2018: 392). Page 7
Diversity	70:30 male:female ratio for graduate, trainee and apprentice recruits	↑	Graduate and apprentice gender statistics improved in the year to 75% male, 25% female (2018: 78%/22%). This is from a base of 830 employees. Page 8
Engagement and retention	75% employee engagement	↓	Employee engagement decreased to 55% (2018:60%), but participation remained high at 75%. This is against a background of significant change and challenge for Kier. Page 7
Training, education and apprenticeships	Five training days per employee	↑	We recorded 67,724 training days, equivalent to 4.2 per employee (2018: 3.7 days). Kier continues to maintain its membership of, and commitment to, the 5% Club, with 7.3% of our employees being apprentices, graduates or trainees (2018: 5.5%). Page 10
Society and community	10% additional social value created	↑	We continued to deliver against our social impact strategy Shaping Our Communities and launched Positive Footprints, the Kier social impact report. We recorded £310m of social value (2018: £157m) on the Kier Shaping Our Communities Calculator (SoCC). Page 6

Performance area	Target	Progress	More in this report	
Environment				
Carbon	Reduce energy use by 30% by 2030	✓	Greenhouse gas emissions intensity ratio fell by 10%, to 25.3 tCO ₂ e per £m of revenue in the calendar year 2018 (2017: 28.2t).	Page 12
Waste	30% relative reduction from 2014 baseline	✓	During the year, a new waste strategy was launched. Non-hazardous construction material waste increased by 5% year on year to 6.32m ³ per £100k of revenue. Diversion to landfill remained consistent to 2018 at 84%.	Page 13
Water	10% reduction from 2015 baseline	↑	A 1% reduction year on year was achieved and an overall 21% reduction from the 2015 benchmark, exceeding the target set.	Page 15
Biodiversity	Report number of submissions	↑	Kier made 14 Biodiversity Industry Group submissions during the year (2018: 38).	Page 14
Environmental incidents	20% reduction per annum from 2015 baseline	↓	AEIR for the Group rose to 149 (2018: 148). Enhanced training and awareness of what constitutes an incident, and hence better recording, has seen an increase in incidents being captured and helps reduce the risk of more significant incidents occurring.	Page 14

Marketplace				
Customer experience	90% customer satisfaction	↑	Kier achieved a 92% customer satisfaction score (2018: 90%). Our net promoter score sustained a strong performance at +49 (2018:+49).	Page 16
Citizenship and community engagement	Introduce the Kier Code of Sustainable Business	✓	The Kier Code of Sustainable Business reinforces our strategy for a sustainable business and promotes best practice on our projects. It is embedded in our integrated management system.	Page 16
Sustainable supply chain	Revised target	↑	Kier is focused on responsible and ethical procurement. During the year, our supplier audits were introduced. We published our annual Modern Slavery Statement in December 2018, which is available via our website – www.kier.co.uk	Pages 17-18
Labour standards and human rights	Meet core principles of UN Declaration of Human Rights			
Supply chain	100% compliance with Kier material standards			

Governance				
Business ethics	Train employees on the Code of Conduct	✓	Code of Conduct training continued across the Group and was made mandatory for new starters at induction. More than 80% of online employees are now trained; appropriate offline alternative was launched. Mandatory for new starters at induction.	Page 20
Governance – risk and opportunity	Quantify risk across non-financial measures	✓	Projections of the relative cost or impact of risks are a clear element of Kier processes.	Page 20
Stakeholder engagement	Annual independent review by BITC	✓	Achieved a score of 93% in the BITC CR Index in 2018, its final year of operation. Participated in the replacement Responsible Business Index, launched in 2019.	Page 19
Reward scheme	Incorporate non-financial measures in remuneration	✓	Revised remuneration policy introduced including non-financial performance measures.	Page 20
Governance – reporting and assurance	Integrated reporting to GRI Standards	✓	Since 2012, Kier has structured its corporate responsibility report in accordance with GRI Standards. A summary is available on our website: https://www.kier.co.uk/corporate-responsibility	Page 20

Social impact

Long after a contract has been delivered, communities remember us for what we leave behind.

Kier operates across the UK through a network of 60 regional offices. Although a national business, we work as a regional and local network, which means our employees generally work in the areas where they live; our subcontractors are predominantly small and medium-sized businesses also working in the areas where they are based. In addition, we deliver the services and projects that are fundamental to our way of life such as schools, hospitals, power networks, water supplies, roads and maintaining affordable homes on behalf of local authorities and registered social landlords.

Many of our clients are based in the public sector and have felt the effects of austerity on public sector services over the past few years. This, coupled with the introduction of the Social Value Act in 2012 and similar legislation, has led to many clients looking to us to help deliver positive impacts to the communities in which we are working, while delivering projects on their behalf. Client requirements vary widely. Some are prescriptive about the outcomes they would like to see, while others let us use our expertise to design and deliver solutions that will create positive impacts and wider value for society.

As the topic of social value has grown in visibility over the past few years, so confusion has arisen over the meanings of various terms used in connection with it. Kier has defined them as shown below.

Our social value definitions

-  **Action** - the activity is started.
E.g. apprentices are employed.
-  **Output** - what actually takes place.
E.g. the number of apprentices employed.
-  **Outcome** - the consequence of what gets delivered.
E.g. the apprentices develop their skills and feel they have contributed.
-  **Impact** - the outcome and value that is delivered.
E.g. the contribution and difference that the apprentices make on the project and to themselves.
-  **Value** - the financial benefit.
E.g. the financial benefit that accrues to the individuals plus wider society over time.

Defining the terms was an important part of Shaping Our Communities – the Kier strategy for social impact. As a business, what we do directly allows for a positive impact and this then generates wider value for society. This year we joined forces with an independent organisation, the Social Value Business, and were also the first construction company in the UK to gain the Social Value Quality Mark (SVQM). SVQM is a standard that Social Value Business has created to set out in a clear way an organisation's commitment to, and delivery of, social value.



First UK construction company
to be accredited
by Social Value Business

Creating additional value is important, because of how it allows other benefits for local economic growth, personal development, improved life opportunities and social cohesion among many other benefits. It is also important for our business as it allows us to demonstrate how we meet our clients' expectations, why we should be their contractor of choice, and is a key differentiator for our business. Being able to demonstrate to clients what we are delivering is important. This year we have made a significant investment in the continued development of the Kier SoCC.

The SoCC has been designed around recognised metrics and methodologies for calculating the value to society of the impacts that Kier creates. It has also been set up to make it easy to record information and to generate reports in any number of ways: from specific project, client or regional reports to those detailing a type of activity or a specific office within our business. Joining up the greater awareness, delivery and recording of activity has been a significant step forward for the Group.

The SoCC

Over the past two years, Kier has developed an innovative social impact calculator that can capture, record and measure our social impact activity. The SoCC provides a platform for Kier to input, capture and monitor social impact generation across a wider array of projects.

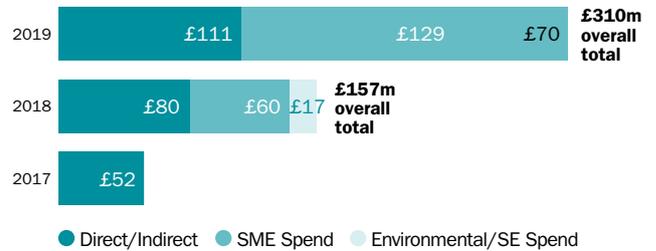
The SoCC focuses on five key areas – environment, skills and employment, communities, local partners and social enterprise – providing us a yardstick against which to measure future progress.

The SoCC draws principally on the Simetrica-HACT Social Value Bank (SVB) and the New Economy Manchester Unit Cost database and is consistent with HM Treasury Green Book. Using the SoCC enables us to share quantifiable data with current and future clients and local communities showing the positive contribution Kier makes.

Shaping Our Communities Calculator



This year we have made progress towards the target of creating positive social impact equivalent to 10% of our revenue, achieving 6.8% (2018: 3.4% /2017: 1.2%). In the coming year, the focus will be on the continued roll-out of training and awareness of social impact and further improvements to our recording platform.



Our SoCC captures data across the following areas that we are continuing to develop. This year, for example, we have been able to add in functionality that allows us to better capture the reduction in construction waste that has a measurable benefit to wider society.

In October 2019, Kier was awarded Innovation of the Year at the UK Social Mobility Awards for the development and implementation of the SoCC.

The award recognises an organisation that is leading the way in supporting social mobility in new and innovative ways.

People and communities

The success of our Group depends on our people. The skills and commitment of our 16,000 employees is fundamental to our business.

A balanced and inclusive business

We want to be an employer of choice, attracting and retaining the brightest and the best, in a culture where you can bring your whole self to work.

Attracting and retaining people is vital as we adapt to a new strategic direction. Equally important is the recognition that the sector in which we operate is undergoing significant technological change, and that this is happening in an environment where there is a significant increase in the competition for the brightest and best candidates.

Pledging to prioritise wellbeing

The mental and physical health and wellbeing of our employees and supply chain is a fundamental priority, one that has driven us to make a formal pledge through the SVQM.

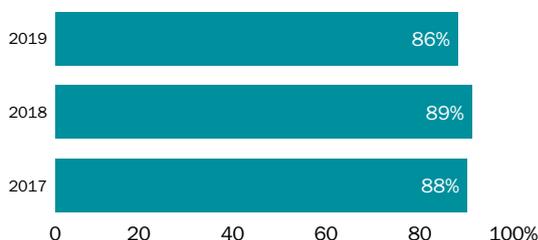
Kier has committed to be an inclusive employer that values and promotes the health and wellbeing of employees, supply chain and society.

Employee retention

Kier has undergone significant structural change in the year and has launched a new strategy and business structure – see Annual Report and Accounts 2019 pages 2-11 for more details.

Consequently, our employee engagement rate dropped to 55% albeit employee participation was 75%. Despite the challenging business environment in which the Group is operating, and the reduced engagement rate, our retention of employees remained high at 86% this year.

Employee retention (%)



Giving people a chance to prove themselves

Kier Highways was struggling to recruit for its local authority road contract in Surrey, where unemployment is at a low level. The team developed the now award-winning S-Skills scheme with Surrey County Council, which helped identify people out of work due to wider issues, such as multi-generational unemployment.

By giving people a chance to prove themselves, Kier was able to give candidates a huge personal boost, provide work experience and at the same time, identify suitable candidates for permanent roles.

Induction weeks are hosted at Brooklands Museum, in Surrey where candidates learn highway maintenance tasks without the risks of the live highway environment, with the museum benefiting from repairs to car parks and footways.

- › Each year, £420,000 social equivalent value is generated through the S-Skills scheme.
- › This total contributed to £35m of social value created by all Kier Highways' projects in 2018.

“Since I started at Kier my confidence has grown.”

– Freddie Seal, former S-Skills attendee.

“When I left school, I had a number of different jobs in different industries and I was struggling to feel fulfilled. I felt that my career was at a standstill and not going in the direction I really wanted it to. I was diagnosed with attention deficit disorder, autism, dyslexia and dyspraxia at a young age. I have always been aware of my conditions and while they can affect how I go about tasks or learning things, I never thought they should hold me back.

I was offered the chance to enrol on the Kier S-Skills programme in Surrey at the beginning of 2017. After completing the two-week programme, I was hoping to be offered a job on the roads. I was offered the opportunity of work experience and then a job in the control hub on the Kier Surrey Highways contract. I never would have thought that I'd enjoy a job in an office – but I do!

Since I started at Kier my confidence has grown. I feel able to talk and interact with all sorts of people. This role has also offered me so many opportunities, including going away on an apprenticeship training event. With my apprenticeship, I am learning how to apply the knowledge from my college course in to my every day work. I will gain a professional qualification and look to further my development in a working environment.” – Freddie Seal, former S-Skills attendee.

Freddie completed his apprenticeship at the end of 2018 and has since been working full time for Kier Highways as a Statistics Coordinator.

Culture

The construction sector is often perceived as being male dominated. Our diversity statistics show that 77% of our workforce is male.

Diversity of Kier employees – gender

	Male	Female
Directors	7	2
Senior management	273	35
Other	12,156	3,637
Total	12,436	3,674

Gender diversity in Kier (%)*



We have taken significant steps to try to accelerate the progress of women in our business into more senior positions and have worked with both Women into Science and Engineering (WISE) and Skills4UK. A cohort of more than 100 employees have had the opportunity to gain and develop the skills needed to progress into leadership positions. We have seen a moderate improvement in gender pay equality as reflected in the Gender Pay Report published in April 2018.

Kier gender pay gap (median)*



* Excluding international employees

Among our graduate and apprentice populations, we have achieved an improvement with just over 25% of the 803 employees being female (2018: 23%). Within the graduate component of these numbers, we saw a significant improvement on last year, achieving 44% female graduates (2018: 23%).

This year, we reviewed our family-friendly and agile working policies to ensure all employees are able to identify flexible solutions that they and Kier can agree on to allow career progression and family life to be balanced.

In support of improving work/life balance, we launched parental transition seminars for employees who may be thinking about starting or extending their families. Maternity pay has also been improved with full pay for the first 20 weeks of leave.

While these approaches may seem focused on the more typical family unit that predominates in society, we recognise that the population is far more diverse. Stonewall, the charity that campaigns for acceptance without exception, has helped us review our HR policies during the year to improve their inclusivity and to ensure that we approach people policies from a gender-neutral perspective (see box-out for more detail).

Gender is just one element of diversity and our commitment is to create a business that is more representative of society. This means tackling ethnicity in our company, as well as wider inclusion issues. The Kier Balanced Business Network (BBN) consists of colleagues from across and throughout the business who care passionately about improving diversity and inclusion. These regional groups meet throughout the year.

Creating a balanced business

To think collaboratively about what our business should look like in the future, Kier has set up equality, diversity and inclusion (ED&I) groups as part of the BBN. The BBN focuses on creating a well-rounded workplace which is inclusive for all.

Kier is actively encouraging a greater number of women and people from ethnically diverse backgrounds to join Kier, as well as those with disabilities.

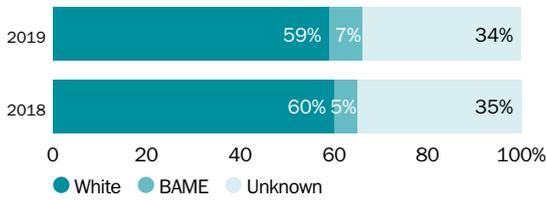
The BBN and other initiatives such as the Kier LGBT+ and Allies Network are helping to create a business which better represents society as a whole.

The Kier LGBT+ and Allies Network was established to support LGBT+ employees and LGBT+ family or friends of employees. By creating an inclusive culture and tackling bias - both conscious or unconscious, Kier ensures that all employees can bring their whole selves to work without fear that disclosing their sexual orientation or gender identity might incur discrimination and prejudice. Kier aims to achieve this through education, support and networking to make Kier a workplace where everyone can thrive.

Working closely with Group HR, the LGBT+ and Allies Network has reviewed Kier policies to ensure that they explicitly reference LGBT+ people where necessary and are gender neutral. This led to the formation of the Kier trans, non-binary and intersex policies, which – among other things – clearly outline an individual's rights to leave for transitioning-related therapies.

Our ethnicity data shows that we still have many employees who do not choose to disclose their ethnicity. This is something we want to improve by making our workplace more inclusive.

Ethnic diversity in Kier (%)

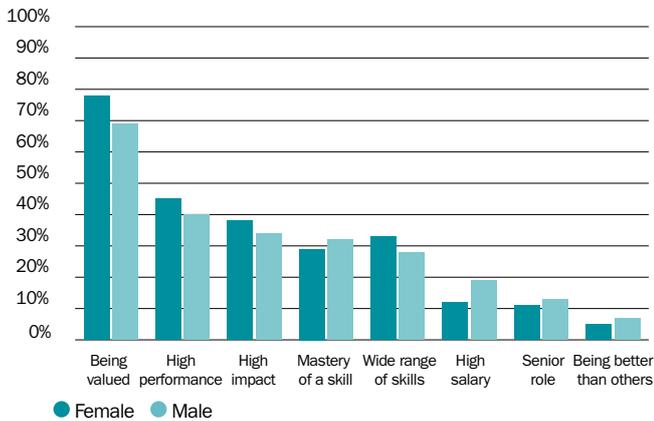


Earlier this year, we published our research report, *Attracting, retaining and developing a diverse workforce*. In preparing this report, we asked a wide range of people both in and out of Kier to share their views on working and received nearly 1,200 responses. The key finding was that, to attract a diverse workforce, we need to make the working environment more attractive for women and men by increasing flexibility and creating roles that appeal to the specific expectations of each talent group. The data told us that more than half of respondents want to work flexibly or already do, and that people really want to feel valued, with both women and men ranking this as the number one factor when thinking about success at work, above measures such as salary or performance level.

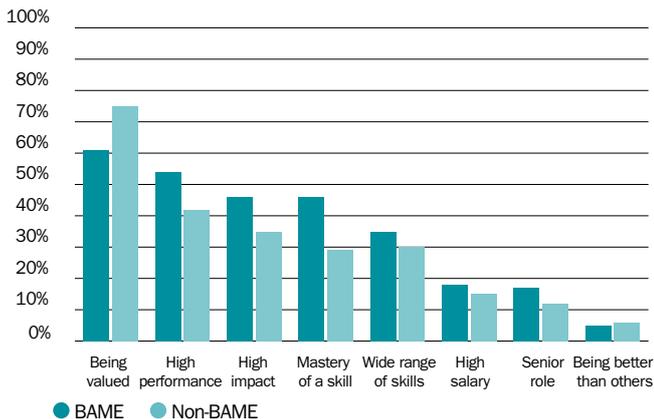
WWW.KIER.CO.UK/HOW/KIER-DIVERSITY-RESEARCH-REPORT-2019

Success factors rated as ‘very important’ by diversity report respondents

Comparison by gender



Comparison by BAME identity



Equality of opportunity

Kier is an equal opportunities employer. We recognise there are many ways in which we are changing the business to support a more diverse workforce and that there is always more to do. In our sector, it has been viewed as a challenge to employ people with disabilities, because of the nature of our work. We are shifting this perception and our Highways business became the first in our sector to be recognised as a Disability Confident Leader in the scheme run by the Department for Work and Pensions (DWP).

As already mentioned, sometimes it is the simple things that make a difference to how people feel valued in the workplace. Our diversity research showed that being valued is important to people. This can be as simple as recognising that a job has been done well with a thank you or more formal recognition. We have an annual awards ceremony where people can nominate colleagues or teams for outstanding performance across 13 categories including innovation and technical excellence, social and community impact, and customer focus.

We also have a quarterly award scheme called Kier Stars that celebrates employees who go the extra mile, have made a real difference to colleagues or customers, or who live the Kier values.

Meaningful employment makes a difference

Nordis Signs is a Kier company, established to provide meaningful employment for disabled people in Northamptonshire. It currently employs 15 road signs specialists, 14 with a disability. Nordis Signs helps disabled people with more complex issues find and stay in employment. Thanks to the success of Nordis Signs and other programmes that support the disabled, Kier became the first company in the UK construction sector to become a Disability Confident Leader, under a scheme conducted by the DWP to raise employment levels for people with disabilities.

“Working for Nordis Signs has changed my life. It has given me purpose, pride and focus.” – Nordis Signs employee

The Social Value Business completed an independent review of the positive social impact and added value provided through the approach at Nordis Signs, asking the team what has changed for them as a direct result of being employed:

- › 100% of Nordis Signs employees reported an increase in self-esteem and better emotional health due to their work.
- › 33% have stopped smoking.
- › 16% saw a positive change in their physical health.
- › 33% have participated in community activities.

“Having daily support to manage my depression and psychosis has prevented me from committing suicide.” – Nordis Signs employee

Training, skills and development

We have continued to improve the training we deliver to colleagues across the business, achieving 4.2 days per employee this year (2018: 3.7). We also continue with our efforts to attract and recruit new entrants to our business. Shaping Your World™, an award-winning Kier initiative, which is now in its third year, is promoting careers in the built environment to younger people. We have more than 500 volunteer ambassadors in our business who undertake engagement events to share their personal experiences and offer career advice. These engagements – more than 390 this year – are often focused on schools and colleges where the quality and extent of careers advice has declined over time. Almost 38,000 young people have engaged with the campaign this year.

We are working with BITC in the East of England, trialling a CPD programme for teachers and career advisers that is linked to the Gatsby Framework. This framework defines what good career guidance looks like. The work we are doing pairs Kier with teachers and advisers to share career information.

Aberdeen Music Hall renovation creates employment opportunities

The multi-million-pound transformation of Aberdeen Music Hall to create modern performing arts facilities within a Grade 1 listed building also provided Kier with an opportunity to create local employment and work experience, and to fully engage with the community. Through a programme of visits with local schools, colleges and universities, the team worked with 350 young people to raise awareness of the specialist expertise and technology used to support the redevelopment of this historic site and to engage them in the potential career opportunities available in construction. In December, the Kier project team collected and donated toys for local disadvantaged children, through the local North Sound One Mission Appeal, a charity event organised by the local radio station.

Social value generated included:

- › 60% of project spend with local SMEs.
- › 20 local jobs created.
- › 23 local apprentices and 12 trainees worked on the project.
- › £7,000 donated to local charities.

Kier is a patron of the 5% Club – committed to maintaining at least 5% of our workforce as apprentices, graduates, sponsored students or in further education; we achieved 7.2% this year (2018: 5.5%).



7%

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

The change in the way apprenticeships are viewed in the industry has been a contributor to the increase in roles in our business. There has been a shift where vocational construction – related skills are now available to people, as well as an increased number of opportunities for other construction-related skills and management level qualifications being available. Examples are the Kier Digital Construction Apprenticeship and the Facilities Management MBA at Sheffield Hallam University. In 2019, we will be placing our graduate intake onto degree apprenticeships in management, accredited by the ILM, the UK's leading provider of professional qualifications. This gives applicants the opportunity of accreditation by a relevant body, as well as a further degree-level qualification.

We have also reviewed how we can use the new rules covering the Apprenticeship Levy. From time to time, when contracts expire, we may transfer employees to another organisation. With the ability to reallocate funding through the Apprenticeship Levy, we can make suitable arrangements with new employers to allow part-completed courses to be sustained and concluded. Similarly, we can transfer levy funding to supply chain partners to enable them to create further apprenticeships. Both approaches have significant benefits for the wider skills base in our sector.

Giving care leavers tools of the trade

The Kier Housing Maintenance and Regional Building teams in Barnsley hosted an interactive skills showcase for young people leaving the care system, giving them an introduction to different trades.

Attendees were given the opportunity to learn more about the skills needed to work as a bricklayer, plumber, electrician or painter, and they were given hands-on experience with guidance from Kier employees.

Among the Kier colleagues providing guidance on the day was Joshua Close, a 24-year-old Barnsley resident who has been through the care system himself. Joshua was encouraged and supported by social services to apply for his apprenticeship with Kier aged 17. After completing his apprenticeship, he became a qualified bricklayer and would like to go on to a Level 3 qualification in site maintenance.

The Kier Foundation

The Kier Foundation is an independent charity, financially supported by Kier Group for employee costs and an operational budget. Its vision is:

To build a dynamic, innovative, engaging charity that is simple for Kier Group employees to interact with and that makes a significant impact to the causes they hold dear.

The Kier Foundation exists to help boost employee engagement within the Group and to the causes employees want to support. It does this by creating campaigns and building teams. Through the activity of employees and The Kier Foundation, enabled by the support funding from Kier, we can make an even more significant impact on society through charitable giving, supporting volunteering programmes and gift-in-kind donations where appropriate. This all contributes to the target on social value set by Kier.

Campaigns

We create campaigns tailored to employees to increase employee engagement across the Group. These include the Winners' Club and the Business Challenge. The Winners' Club is an employee-only lottery. Employees can choose to become part of the lottery and pay £1 per week. All money raised is split evenly between the lottery, the corporate charity partner and other good causes. Through the scheme, one employee can win £5,000, with further prizes dependent on the amount raised. In the last financial year, £193,390 was raised, split evenly between employees and good causes. Currently, 18.5% of Kier employees are members of the Winners' Club and we aim to increase this. Business Challenge is a Group-wide activity where businesses within Kier aim to raise £10,000 for good causes. As well as being an excellent way of engaging our employees in activity that gets them working as teams, it also gets us working with our suppliers, subcontractors and clients every month.

The Kier Foundation

British Heart Foundation (BHF)

- › Raise £250,000 for BHF – £278,563 raised in the first year
- › Train 1,500 CPR lifesavers – 2,892 people trained

End Youth Homelessness (EYH)

- › Support the activity of EYH by donating £50,000 per annum
- › Help EYH support a minimum of 50 young people in gaining essential life skills and opportunities every year

Corporate charity partnership

Kier establishes a new corporate charity partnership every two years. This partner is based on an employee poll, with the final selection made by The Kier Foundation trustees. We have just completed the first year of our partnership with BHF, our fourth charity partnership.

This year, we have also established a secondary relationship with EYH. This link is set to run for four years with a commitment from The Kier Foundation of £50,000 per annum.

In previous years, the donation to our corporate partner has gone to general support of their operations. This year, we have agreed with BHF that all donations will go to supporting research into cardiac arrests.

EYH is a UK-wide network of local charities that have joined forces to tackle youth homelessness. It provides a national platform to raise awareness, share experience and generate voluntary income.

All the good work of The Kier Foundation is underpinned by the support of the volunteers in Kier who take on the role of charity champions. Any Kier employee can become a champion to support The Kier Foundation and our charity partners, and in the past year we had 93 people volunteer for this role.

Match-funding

The Kier Foundation supports other good causes too, and does so following individual employee requests, and from the operational business. Any employee can apply for match-funding of up to £200 twice a year and this can be for any recognised cause. During the year, a total of 508 applications were received with £110,100.46 donated to 148 separate charities.

The operational businesses can also apply for match funding of up to £5,000 per annum to support community projects and charities, with £27,478 donated in the last year.

Environment

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

The Kier environment framework, which is part of our wider approach to responsible business, links global, national and local policy to the direct environmental impacts of our operations, and reflects the aims set out by the UK Government in the 25 Year Environment Plan. We aim to be an industry leader in environmental performance and, to do this, we will embed environmental good practice in our everyday activities. In 2020, we will be publishing a new environmental framework, based on incremental targets, that will set clear aims and accountability.

The scope of our operations gives us the opportunity to make substantial positive changes, add value for our stakeholders and be more streamlined, efficient and competitive. This makes a positive contribution to our approach to being a sustainable business. Environmental and social impact are issues that are now embedded in the public consciousness. The language of climate change, the circular economy and natural capital are becoming more widely used by our stakeholders, and expectations of our understanding, response and performance in relation to environmental issues are rising.

We generate waste that is likely to be exported and our energy use emits carbon that affects the global climate and depletes fossil fuel reserves. We work in ways that can have a direct impact on ecosystems impacting on wildlife and habitats. Our ongoing operations rely on natural capital. We can enhance our business by reducing the environmental impact of our operations, improving our own performance and driving industry-wide innovation and collaboration. Our current approach recognises these impacts and seeks to address them.

Energy efficiency and greenhouse gas emissions intensity

We launched our new energy efficiency strategy – 30 by 30 – in 2017. Its aim is to reduce our energy use by 30% by 2030 and cut emissions of greenhouse gases – the primary cause of climate change. Since this strategy was published, the UK Government has already revised its commitment to be zero carbon by 2050. Consequently, Kier is currently reviewing our strategy.

Annual greenhouse gas emissions

Emission type (by calendar year):	CO ₂ e tonnes 2016	CO ₂ e tonnes 2017	CO ₂ e tonnes 2018
Scope 1: operation of facilities	0	0	0
Scope 1: combustion	108,831	101,781	96,732
Total scope 1 emissions	108,831	101,781	96,732
Scope 2: purchased energy	14,467	10,277	10,017
Scope 2 total emissions	14,467	10,277	10,017
Total scope 1 and 2 emissions	123,298	112,058	106,750
Greenhouse gas emissions – intensity ratio	31.4 t/£m	28.2 t/£m	25.3 t/£m
Revenue (£m) – calendar year	3,928	3,915	4,222

CO₂e = carbon dioxide equivalent

Our reporting of greenhouse gas emissions is for calendar year 2018. Our dataset covers 93% (2017: 88%) of Kier Group operations by revenue. Our reporting methodology detailing inclusion/exclusion of joint operations and joint ventures is provided in our reporting methodology available at www.kier.co.uk/corporateresponsibility/downloads.aspx. Scope 1 fugitive emissions are not included. Reporting follows the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and uses conversion factors published by DEFRA.

Using energy and fossil fuels more efficiently, and targeting energy from renewable resources will help reduce greenhouse gas emissions. The Kier greenhouse gas emissions intensity ratio fell 10% to 25.3 tCO₂e/£m revenue. We report emissions by calendar year.

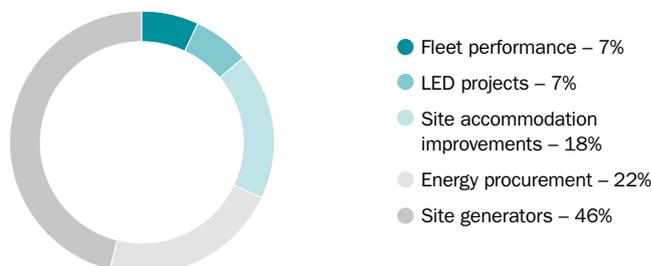
We have delivered 83% of the planned programme of 30 by 30 for the year including:

- › Installing 3,000 telematic units in our fleet of light commercial vehicles, with data being used to drive fuel efficiency.
- › Delivering several energy-efficient LED retrofit projects across our estate.
- › Upgrading accommodation on our temporary sites so that cabins are better insulated and have more energy-efficient lighting.
- › Working with supply chain partners to drive the use of the correct-sized generators that reduce energy consumption.

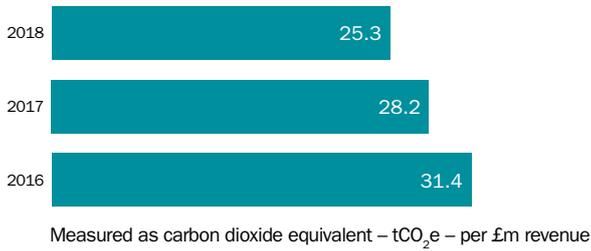
As a result of our 30 by 30 programmes, we have cut emissions by 10%/£m, using 2017 as a baseline.

The continuing support of our supply chain is vital to achieving our goals and we will continue to collaborate with suppliers to identify and secure the latest energy-efficient plant, vehicles and equipment. We are also helping our subcontractors to identify opportunities to reduce their energy use and emissions.

Savings



Annual greenhouse gas emissions



Waste

The UK Government’s Resources and Waste Strategy for England was published on 18 December 2018. The key goal is ‘...to move to a more circular economy which keeps resources in use for longer’ and sets out measures to encourage a move away from a ‘take, make, use and throw’ approach to materials and resources and, instead, a move towards wasting less and reusing, recycling and repairing more. This will have an impact on the construction sector and, consequently, we are developing revised approaches to resource efficiency.

Kier is actively targeting a reduction in the costs of waste disposal, which we estimate to be in the order of £60m per annum. Reducing this cost, and when we add in the indirect cost of purchasing material in the first instance, can have a significant benefit for our business and reduce the environmental impacts we have. Examples of indirect costs are:

- › Value of materials being discarded through handling over-ordering, storage and use
- › Cost of labour for handling waste
- › Management time
- › Lost revenue
- › Any potential liabilities

Doing this successfully will require the cooperation of our supply chain partners and putting the right processes in place to be able to influence design with waste minimisation in mind. Innovation will also play a key role in achieving our waste ambitions. As an innovative supplier, we engage with our customers to understand where we can use modern methods of construction (MMC). The Kier Choice Factory brochure provides a snapshot of how we use MMC and the advances we have delivered in off-site construction. We look to use the benefits of MMC wherever possible, recognising the safety, sustainability and cost benefits that can be obtained in the build and full life-cycle of the assets.

We continue to build on the work we are doing with the Construction Innovation Hub, the Catapult centres, key construction bodies such as i3P, and academia to deliver innovative solutions to support the needs of our customers and their consumers. The Catapult centres are a network of world-leading design and innovation hubs that are helping to transform the UK’s capability for innovation in specific areas and to drive future economic growth.

Our revised approach to resource efficiency will not be solely focused on construction-related materials, but will look at all materials using the following hierarchy:

- › Are used in the highest volumes and/or generate the greatest volumes of waste;
- › Are the highest value and/or have the highest disposal costs (including indirect costs), and;
- › Have the lowest reuse/recycling potential.

Our performance during the year saw a modest increase in non-hazardous construction material waste to 6.32m³/£100k (2018: 6m³). This is still below the original benchmark we set out to achieve by 2020 of 6.71m³.

Non-hazardous construction material waste



Measured as m³ per £100k revenue. Our waste reporting comes from a sample representing 45% of the business based on revenue.

Construction material waste – diversion from landfill (%)

	17	18	19
KPI: percentage diversion from landfill	87%	84%	81%
Target diversion			95%

It should be noted that the actual volume of waste we send to landfill has halved since 2014 due to the reduction in the overall volume generated.

Achieving our target for diverting waste from landfill continues to be a challenge, but our revised approach will improve this performance by both reducing the waste produced and effectively reusing materials so they avoid entering the waste cycle.

Saving natural resources and changing lives

Kier works with a network of social enterprises called Community Wood Recycling, which collect and reuse waste wood in an environmentally beneficial way. This labour-intensive activity provides a wide range of disadvantaged people – including ex-offenders, substance abusers, people with learning difficulties or mental health issues – with job and training opportunities to build confidence and self-esteem. They learn skills, helping them overcome many of the barriers to finding future work.

All wood collected is reused or recycled – nothing is returned to waste – which is ten times more efficient than harvesting, milling and transporting virgin wood.

Since 2017, the Kier social enterprise value created through Community Wood Recycling is £173,889, including:

- › 1,198 tonnes of wood rescued from waste of which 288 tonnes was reused, 449 tonnes made into firewood and 461 tonnes recycled as woodchip.
- › 10 paid jobs created, and 23 people trained in 2018.

Environmental incidents

It is well understood that there is a relationship between the number of minor incidents and near misses, and more serious incidents that can lead to environmental harm due to:

- › Pollution incidents of water, air or ground;
- › Damage to archaeology or our cultural heritage;
- › A reduction in biodiversity, and;
- › Nuisance through the creation of noise or dust during our activities.

By monitoring the number of incidents, we can understand if there are common causes that can be tackled using interventions such as enhanced training and awareness or reviewing and revising the processes and protocols that we have in place in our Code of Sustainable Business.

We continue to see significant improvement in awareness and recording of incidents which means that for two years in a row our (AEIR) has increased from 119, to 148 last year and 149 this year. This is disappointing as we have missed our target for a 20% year-on-year reduction. However, our increased focus on training and raising awareness has led to many more minor events being noted, and this in turn has helped to reduce the risk of more significant events.

Environmental incident reporting in the Kier business is still inconsistent, owing to differing levels of understanding, or varying client requirements. While helpful as discussed, AEIR is not an effective measure of environmental enforcement risk. This is better measured by assessing the level of regulatory interventions across the business in each jurisdiction (i.e. England, Wales, Scotland, Northern Ireland and overseas). Our primary indicator will be moving to this in future.

This year, we faced one prosecution for damage to tree roots under the Tree Preservation Order (Town and Country Planning Act) which resulted in a £1,000 fine.

Biodiversity

We, along with many industry peers, sponsor the annual CIRIA BIG Biodiversity Challenge and, in the past, have won several awards. This year, 10 projects submitted 14 entries across six categories, providing us with the chance to showcase best practice from across the Kier business.

Biodiversity forms part of the natural capital on which sustaining our business depends. Our activities consume natural materials that rely on healthy ecosystems. We have reviewed the risks associated with our procurement of construction-related materials and are putting in place revised standards. This is an exercise we complete on a regular basis with the previous review in 2016. We aim to have a positive impact by protecting and enhancing biodiversity affected by our activities wherever possible. The Government's 25 Year Environment Plan aims to mainstream the use of Biodiversity Net Gain approaches within the planning system and expand this approach to include wider natural capital benefits, Kier will work with clients to achieve positive outcomes across the projects we deliver on their behalf.

Improving biodiversity with Bristol Water

The Southern Strategic Support Main (SSSM) is a 31km water pipeline between Barrow and Cheddar reservoirs which will improve water security to 280,000 houses and support the growing local population, future-proofing water supply against climate change.

The pipeline passes through open countryside, towns and villages, providing the opportunity for both biodiversity enhancement and community engagement. Kier and Bristol Water wanted to leave a positive legacy by providing funding and employee volunteering to protect local wildlife and habitats as much as possible within the design and environmental management plan, to help achieve biodiversity net gain.

The enhancements included working with a local school and college to create 40 owl and kestrel boxes, providing local school children the opportunity to learn about the nature along the SSSM route.

The efforts made to improve the environment after SSSM will have a long-lasting effect on wildlife within the local landscape, leaving an enhanced habitat for many species.

Kier is committed to monitoring all enhancements for five years post completion and we are incorporating many of the enhancements from SSSM into new schemes. Bristol Water is now using the enhancements from SSSM as a benchmark for all large scale works and is encouraging other contractors to incorporate similar enhancements into projects, helping to drive positive change. Kier has been able to statistically prove, using Bristol Water's biodiversity calculator, that it has made a positive impact on the area affected by the project.

Activities included:

- › Kier volunteer time equivalent to £18,000
- › Planting over 1,100 trees
- › Engaging 520 students with the project, giving them the opportunity to learn about the nature along the SSSM route
- › Releasing 500 elvers (juvenile eels) into the wild
- › Temporarily translocating 100 bee orchids
- › Installing 40 owl and kestrel boxes along the pipeline route

Water

We are aiming to reduce water consumption by 10%, and to help with this are introducing more robust water monitoring and extending efficiency to our international operations. From 2016-2017, we achieved a 6.5% reduction, but consumption has increased slightly this year by 0.7% to 457,157m³. Improvements are currently being made to the way figures are collated so we can more accurately report on this area of our work. Our new specification for cabins on our operational sites includes rainwater harvesting. On larger schemes this can be invaluable for dust suppression and road cleaning.

Protecting ancient woodland

Bush Walk Woods is a 26-acre ancient woodland afforded protected status as a SSSI. Rich in ancient woodland species but over-run with deer, key recommendations to maintain the SSSI in favourable condition include coppicing, ride (or forest track) management and halo-thinning around the oak standards.

Working collaboratively with the woodland owners and alongside its corporate social responsibility agenda, the environment team in Kier Highways Area 7 volunteered with the Gippat Charitable Trust to steer the management of the ancient woodland and proactively build on links with the local community through educational outreach.

Kier has helped enhance the conservation and biodiversity of the wood through a woodland management plan and has coordinated engagement with the public – including wildlife awareness walks and practical woodland work – to increase awareness of biodiversity and woodland resilience issues.

Now in phase two, Kier continues to collaborate with multiple stakeholders – including mentoring University of Northampton undergraduate students – to ensure biodiversity targets are achieved. Community awareness activities and projects have proven key, including bat walks, practical conservation work parties over the winter and specialist bird walks hosted by the University of Northampton.

Marketplace

By winning and delivering projects that meet the direct needs of our customers, Kier will continue to grow.

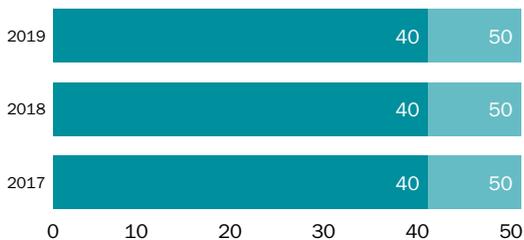
Customers

Customer satisfaction is a strategic priority for Kier – our business only continues to grow and prosper by being able to win and deliver projects that meet the diverse needs and expectations of our customers (see Kier Group Annual Report and Accounts 2019 pages 4-9, 12-17 and 22-27). Our success depends on customers playing a role in the Kier business model and benefiting from the wider outputs and outcomes (see CR update 2019 page 5).

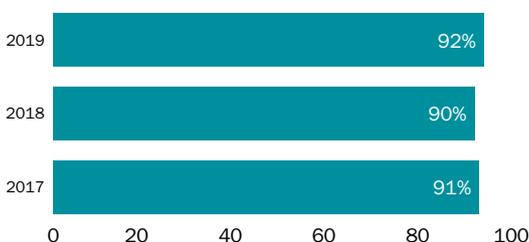
More than 70% of our work is repeat business, which illustrates the strength of relationships we have with clients, and that they trust us and are satisfied with the quality of the projects we deliver. We are also working hard to achieve the outcomes they have in mind on wider issues of responsible business, such as payment practices, social value, modern slavery, environment and MMC. Understanding their views is a key part of checking that our strategy for sustainable business is evolving in step with their needs. To this end, we regularly engage with them on these matters.

This year, we conducted 415 surveys (2018: 543) and maintained a Net Promoter Score (NPS) of +49, which is a good score for the sectors in which we work. NPS is a sentiment analysis based on a range from -100 (all negative), 0 being neutral, and +100 (all positive). It is calculated by taking client surveys and those questions concerning satisfaction: anything scoring 1-6 is taken as negative; 7-8 are discounted as neutral; and 9-10 are taken as positive. The NPS is the product of taking negative results from positive results, expressed on a scale of -100 to + 100.

Considerate Constructors Scheme scores



Marketplace performance – customer satisfaction (%)



+49

Net Promoter Score

Considerate Constructors Scheme

45 awards

7

Gold

22

Silver

16

Bronze

Innovation

Our customers are also interested in how we, as their contractor of choice, can provide them with fresh and innovative solutions. We recognise the power of collaboration in helping to identify innovative solutions and have developed relationships with leading bodies including the Construction Innovation Hub, the Catapult centres, key construction bodies, such as i3P, and academia to support the needs of customers and consumers. The Catapult centres are a network of world-leading design and innovation hubs that are helping to transform capability for innovation in specific areas and to drive future economic growth.

We also undertake our own research and development. Examples of where our research & development has identified and delivered solutions are the Highways all-in-one response safety vehicle and the SoCC.

To support our construction activities, we have prepared the Kier Choice Factory. This illustrates to customers where we can use MMC. The Kier Choice Factory provides a snapshot of how we use MMC and the advances we have delivered in off-site construction. We look to use the benefits of MMC wherever possible, recognising the safety, sustainability and cost benefits that can be obtained in the build and full life-cycle of the assets.

We are also preparing for a future that will see the greater use of robotics on projects, where this technology can be used to carry out repetitive tasks, and to help remove people from point-of-work operations such as filling potholes.

Code of Sustainable Business (CoSB)

Kier is independently certified by the UKAS-accredited body BSI, to International Standards ISO 9001:2015, ISO 14001:2015 and 45001:2018. Accordingly, we maintain a comprehensive system of health, safety, environment and quality control. This includes documented policies and procedures concerning compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

This forms the integrated management system that governs how we work. The Code of Sustainable Business (CoSB) deals specifically with community and environment. Having introduced the CoSB, we have maintained our performance in the Considerate Constructors Scheme (CCS), with which our Building UK business registers its sites. This national scheme is recognised by our customers. It gauges the best practice performance of our sites and aims to improve performance continually over time. During the year, an increasing number of sites achieved high scores in the CCS, and Ultra status. The Ultra site concept, which Kier helped to pilot, is given on sites that reach the highest standards defined by the CCS and look to share and spread best practice throughout the wider industry.

Sustainable procurement in the supply chain

Kier is a founding partner of the Supply Chain Sustainability School, working with over 60 companies to develop a resource library of e-learning tools and resources on sustainability, offsite construction, management techniques and on human rights issues, such as modern slavery, inclusion and respect.

In Summer 2018, Kier Highways asked its supply chain to complete an in-depth questionnaire covering all aspects of sustainability, and over 140 of them responded. Their responses were analysed to highlight the areas that needed addressing. Sustainable procurement was found to be the primary area to work on, but there is also a need for improvement around stakeholder engagement and the governance (policy and strategy) of sustainability.

Working with the Supply Chain Sustainability School, Kier organised a workshop in Birmingham focusing on these core topics. The survey respondents were offered the first chance to register for the event, before it was opened to all Supply Chain Sustainability School members. Speakers were selected to discuss the focus topics, and the day was laid out so that attendees had a complete picture of what a sustainable procurement framework for strategy and policy looked like.

120 people attended the workshop. The speaker session on modern slavery in the supply chain produced the most interest, with many organisations pledging to sign up to the Gangmasters & Labour Abuse Authority (GLAA) Construction Protocol to commit to monitoring and reporting signs of modern slavery in our workplaces.

Responsible and ethical procurement

Supply chains, by their very nature, are often complex. This is particularly true of goods comprising materials sourced from across the world. Our subcontracting labour supply chains can also be complex as they may employ people of many nationalities. In either case, there is a recognised risk to human rights that Kier is working to address. In addition, our procurement of goods presents an environmental risk profile that we are addressing.

During the year, we refreshed our risk assessment for human rights and environmental quality that could occur in our supply chain. In this exercise, we recognised and separated out the differing risk profiles that we found connected to labour and goods. This was done with the help of independent partners, including the Supply Chain Sustainability School. The revised standards we are putting in place will continue to reflect those published by the International Labour Organization, and for environmental issues we will use the most appropriate existing standard. Where standards do not exist, Kier will look to identify partners with whom we can develop an appropriate approach. As Kier works with approximately 25,000 individual suppliers and subcontractors, we need to have processes in place that allow us to undertake an initial assessment. Our business model of a national business with a regional presence spread across 60 offices, means our supply chain relationships are truly based in the communities in which we operate. We offer employment opportunities at a community scale and this has benefits for local economies. For more information, see our Positive Footprints brochure, available on the Kier website.

Subcontractors

A high proportion of our subcontractors – more than 77% – are small and medium-sized businesses (SMEs) and, for our smaller partners, we need to make pre-qualification processes as simple as possible in an effort to reduce unnecessary bureaucracy.

This year, we have reviewed the pre-qualification of subcontractors, enabling them to align to a common set of standards used by three of the UK's largest accreditation companies. This helps reduce bureaucracy for organisations joining our supply chain. We have been working with Build UK, in collaboration with other main contractors, to develop a standard contractor pre-qualification. The Common Assessment Standard (CAS) allows subcontractors that obtain CAS to work with any main contractor. We are the first main contractor to accept the CAS, leading the way for greater efficiency and reducing costs for the supply chain.

Extra help for micro-SMEs

Kier works with micro-SMEs - businesses employing less than five people - across the UK, including in our gas business in Northern Ireland.

Because of the particular challenges faced by these very small companies, Kier offers additional support to help plan workload and cashflow, as well as access to Kier training on safety and to support employee development.

Material suppliers

Kier undertakes an assessment of its supplier base, adopting a risk-based approach on both the spend with a supplier and the importance of the supplier in fulfilling customer requirements. This initial assessment is enhanced by other factors covering the material/goods supplied, financial checks, sanction, embargo and watchlists to detect any association with bribery and corruption.

As a prerequisite of trading with Kier, suppliers are also required to meet our minimum standards on safety, environment and human rights.

When we introduced our enhanced standards, we recognised that the natural cycle of reviewing our relationship with suppliers meant that we could not achieve 100% compliance in the first year. The targets we set also differentiate between new and existing suppliers.

Target year	Target	Actual
2018-19	60% of existing preferred suppliers audited on sustainable procurement upon renewal	67%
	80% of new preferred suppliers audited on sustainable procurement standards as part of approval	83%

In 2019-20 these targets extend to 80% and 90% respectively.

With the unknown impacts of Brexit, we have adopted a precautionary approach to identifying potential new suppliers. In some instances, this may lead us to trade with new countries. Consequently, we need to review our processes and ensure they remain fit for purpose.

Our Modern Slavery Statement made in December 2018 made several commitments. Progress is summarised below:

Commitment	Progress
Continued development of standards to support our Anti-slavery and Human Trafficking Policy (and related policies)	We complete periodic reviews of our existing standards, this year including a review of our main labour agency's processes. We developed a modern slavery toolkit with the GLAA and, as a signatory to its Construction Protocol, we have committed to raising awareness among our supply chain partners. Its advice, as well as our own internal review of risk, has helped us to recognise areas where Kier can continue to improve our performance.
Review our pre-qualification standards for the appointment of new suppliers and subcontractors	We held a workshop during the year where all businesses within the Group were represented. With independent external support, we reviewed our risk profile on materials and labour and we are updating our standards accordingly
Work with Build UK, the representative organisation for the construction industry, to define a single, industry-wide pre-qualification standard.	The CAS is now in use by Kier.
Ensure relevant employees receive appropriate training on identifying any potential unlawful or unethical conduct within our operations and supply chain.	Completed. Kier is now exploring how to make this training available to our supply chain partners.
Launch online training for our workforce.	

We continue to offer and promote our confidential whistleblowing service to anyone who wishes to raise a concern on any matter connected with Kier, including human rights or modern slavery.

Fair payment

An important part of being a responsible business is to abide by the contracts we have agreed with our supply chain partners. One area of focus in the past year has been prompt payment. We submit data to government on a six-monthly basis as part of the BEIS Duty to Report on Payment Practices and Reporting.

Data for the six months to 30 June 2019 reported Group average payment days to its supply chain partners at 41 days – a significant reduction from 57 days for the first half of the year. There is a growing focus on the percentage of invoices paid within 60 days, and this is a metric where we have also improved, moving as a Group from 65% to 79%.

Modern slavery

The past year has again illustrated how real the risk of modern slavery is in the UK, and particularly in our sector. We have continued our close relationship with the GLAA and, as a signatory to its Construction Protocol, we have committed to raising awareness among our supply chain partners. Its advice, as well as our own internal review of risk, has helped us to recognise areas where Kier can continue to improve our performance.

Governance

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

Good governance starts with the Board and how it drives compliance with the UK Corporate Governance Code (April 2016 edition), through our management structure, the Group centre and the support and advice they give, and how our employees perform on behalf of Kier and our clients. (See Kier Group Annual Report and Accounts 2019 pages 48 - 100).

Setting out how we expect our business, and our employees, to perform is driven by our values which are being refreshed as the new Performance Excellence framework is rolled out. This framework will define clear ownership and accountabilities for core processes in our business and set clear objectives and targets. Our non-financial performance will be embedded in the framework.

In formulating our approach to sustainable business, we are aware that the marketplace in which we operate is constantly evolving and that we need to be aware of and adjust our approach to take account of changing needs and expectations. Consulting with our stakeholders is a key element of this and our initial strategy was designed with input from key clients and investors. We regularly engage with clients to check the approaches we take to improve our non-financial performance and ensure they remain fit for purpose. (See Kier Group Annual Report and Accounts page 19). The way we manage Kier allows us to deliver financial and non-financial benefits to all the stakeholders connected with our business, which we show in our value creation model (see Kier Group Annual Report and Accounts 2019 pages 12-13).

The Corporate Responsibility Leadership Group (CRLG) is made up of representatives of our operational businesses and the Group centre. The CRLG works to ensure we meet the needs of our stakeholders whilst also ensuring we address the changing nature of the regulatory and market environments. By working collaboratively across the businesses and in collaboration with the Group centre, we can call on additional skills and experience to create appropriate and proportionate responses.

The work of the CRLG is supported by smaller working groups that come together to review specific issues. Two groups have continued to convene during the year as the areas of interest have remained live and are continuing to evolve.

- › The Social impact leadership team continues to review and develop the best practice approaches taken by Kier on how we can create the most value for wider society. This has been summarised in our Positive Footprints publication, available on our website.
- › The working group continues to explore modern slavery, how this links to wider issues of human rights and environmental quality and how it should be reflected in our commercial and procurement processes.

Stakeholder engagement and materiality assessment

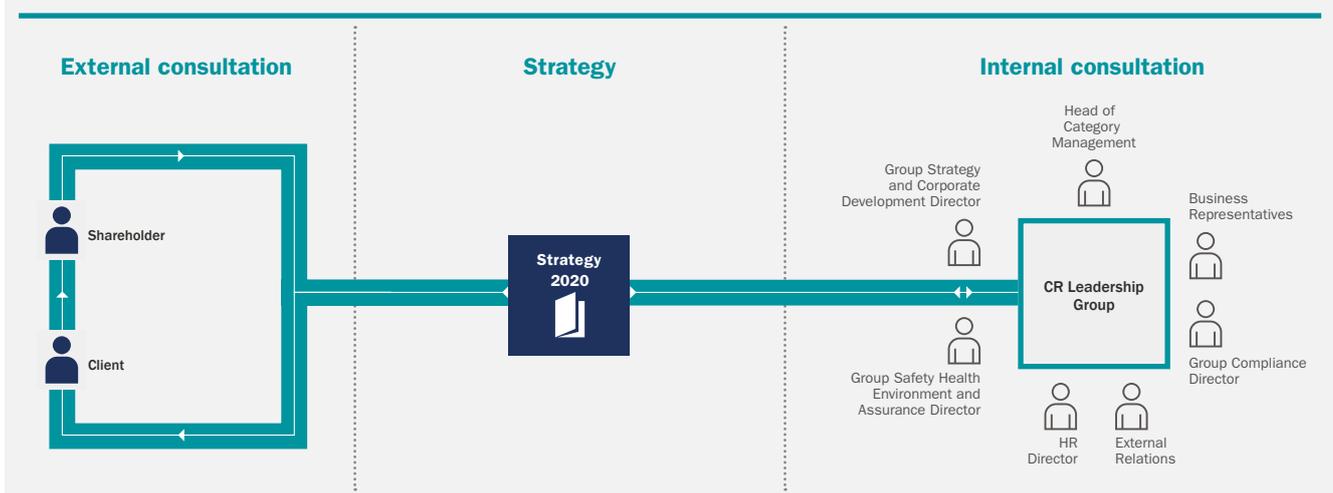
Stakeholder engagement is a natural part of our governance (see Kier Group Annual Report and Accounts 2019 pages 75-77) and we have an ongoing engagement programme to ensure we continue to meet the evolving needs of our stakeholders.

A significant area of engagement during the year has been the examination of strategic suppliers by the Government. With recent changes in the landscape of construction and service delivery to public sector clients, Kier has been actively involved in discussion with the Government on what its requirements are and how we can commit to delivering against them. Areas in which this engagement has taken place include social value, human rights and modern slavery.

We have also undertaken regular engagement with clients on their expectations of Kier as well as third parties such as BITC and Social Value Business.

Engaging with stakeholders at a strategic level is important, but at a project level is even more important. Kier understands that while delivering projects, we are often working in close proximity to houses, schools, shops and other elements that make up communities. Designing projects with input from communities can help to minimise disturbance and maximise the positive impact we can have. Our network of colleagues help with this element of our projects, and we have provided a guiding framework in the form of the Kier Code of Sustainable Business.

Summary of RBPO Corporate Governance



Risk appetite

The Board undertakes a detailed review of its appetite for risk set against each of the strategic priorities of Kier. Risk appetite was mapped against a sliding scale from risk-averse to risk-tolerant. This informed the development of thresholds to quantify acceptable upper and lower levels of risk for each strategic priority. These thresholds include projections of the relative cost or impact of risks and are now a clear element of Kier processes. A detailed description of these processes, and the principal risks identified, including sustainability risks, is in the Kier Group Annual Report and Accounts 2019 pages 30-37.

Business ethics

The Code of Conduct, launched in 2016, outlines the basic requirements that an employee can expect to be upheld by Kier, and that they should demonstrate when working for the Group. We include training on the Code as a mandatory requirement of the induction of new starters. We also continue to provide training across the Group and we have trained more than 80% of our online employees. Appropriate training – online and offline – has also been provided on bribery and corruption, with 12,500 employees taking part.

We also expect our supply chain partners to uphold the same standards and have embedded these requirements into our contractual arrangements. In addition, we have reviewed the pre-qualification processes that our preferred suppliers and subcontractors undertake.

We recognise that however hard we try as a business, and however much training and awareness we offer or policies we create, there is always a chance that something will fall below our high expectations in our business or supply chain.

We aim to operate ethically and give people channels by which they can raise any concerns, including through day-to-day management processes. For those people who may feel uncomfortable raising issues in this way, or if the matter is a sensitive one, we offer a confidential and independent whistleblowing service, which is promoted to employees and supply chain partners alike.

The number of cases raised via our whistleblowing procedures during the year rose from 81 to 96. Playing a role in this increase is our continued promotion of the service and increasing confidence in its use. All issues raised were investigated by the Kier compliance team and a third resulted in action being taken. No material issues were identified relating to human rights, including modern slavery and human trafficking, or bribery and corruption.

Reward scheme

The Board remuneration policy for our executive directors is included in the Kier Group Annual Report and Accounts 2019 pages 78-97.

Benchmarks, reporting and assurance

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

We track our strategy through a series of performance indicators that have been independently assured for many years. This year, we undertook internal assurance of our processes and will continue to independently spot-check indicators in the future.

The Kier Group website (www.kier.co.uk) gives a detailed explanation of each non-financial KPI. Our CR Update 2019 adopts the Global Reporting Initiative (GRI) Standards.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is an independent organisation. It has worked with numerous independent stakeholders over many years to identify and set out a clear view of best-practice criteria in reporting on economic, social and environmental themes, and promoting standardised ways of sustainability reporting since 1997. This allows reports from different sectors to be compared, as each criterion set out by GRI is clearly defined. Kier has been using GRI Standards at the heart of our sustainability reporting for many years and we summarise how this applies in our reporting guidelines, available on the website (www.kier.co.uk).

Retaining our status as a FTSE4Good company

Kier is a member of the FTSE4Good Index Series, which is designed to measure the performance of companies demonstrating good environmental, social and governance (ESG) practices.

Kier was first listed in July 2018. To be included, companies must support human rights, have good relationships with stakeholders, make progress to becoming environmentally sustainable, ensure good labour standards for their company and supply chain, and reduce the risks of bribery and corruption.

The FTSE4Good Index Series is designed to measure the performance of companies demonstrating good environmental, social and governance (ESG) practices. It is designed to help investors identify companies that meet globally recognised corporate responsibility standards.

Through the membership, Kier can compare data with industry peers, including ESG rating and green revenues information, and learn from best practice across both our sector and further afield.



FTSE4Good

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