Foreword

Our vision is “To be the UK’s leading construction and infrastructure services company”, and our success in delivering this vision is dependent upon how all employees behave. Our core values require us to be collaborative, trusted and focussed. It is our policy to comply with the law wherever we operate.

Competition law is designed to ensure that competition between companies is unrestricted so that the ultimate consumer gets the best deal. It has relevance to all aspects of the Group’s operations.

Laws across the world differ but, generally speaking, competition law prohibits any agreement or understanding which prevents, restricts or distorts competition, for example by fixing prices, sharing markets, limiting production or supply or rigging bids. It also prohibits any abuse of market power, such as predatory pricing designed to drive out competitors or unreasonable ‘tie-ins’.

Penalties for breach of competition law are severe, both for the Group and potentially for the employees involved. This policy provides an overview of the main rules of UK and EU competition law relevant to the Group’s business and sets out procedures and guidelines which must be followed by all employees in the Group.

It is important that all employees understand the impact of competition law on their work.

The Kier Group Board is committed to ensuring that all parts of our business are complying with competition law and all employees should be aware that any infringements of the procedures or guidelines in this policy will be viewed very seriously. Breaking the competition rules is a disciplinary offence. Please take the time to read this policy carefully and make sure you comply with it.

Andrew Davies Chief Executive

For and on behalf of Kier Group plc

Introduction to competition law

Competition law promotes and protects free and fair competition between companies. The objective is to ensure that companies compete against each other on a level playing field.

Most countries in the world have competition laws and most contain rules similar in substance to those which apply in the UK and across the EU and which are described here.

Please make sure you understand the competition laws which apply to your operations wherever you do business and don't hesitate to ask any member of the Group's Compliance or Legal departments if you have any concerns or questions.

Scope of the law

In the UK, the Competition and Markets Authority ("the CMA") has the power to investigate and impose fines in respect of breaches of UK and EU competition law (in the case of EU law, the European Commission has equivalent powers).

These powers extend to investigating agreements or arrangements made outside the UK by companies registered anywhere where the agreement or arrangement in question is, or is intended to be, implemented in the UK or may affect trade in the UK.

We all have an individual responsibility to apply the rules and guidance in this policy (and also any additional requirements which are imposed by local laws if our operation is outside the UK).

A summary of the rules

Agreements or arrangements with competitors or potential competitors in relation to any of the following are illegal:

- Dividing up or allocating tenders, projects, territories or customers, for example, by agreeing who should bid or not bid for particular contracts, or rotating who should win particular contracts
- The terms of any tender, including discussing and exchanging information on prices (including a cover price) and any other terms and conditions
- Boycotting particular customers or suppliers or acting together to impose conditions on a customer or supplier
- Any exchange of commercially sensitive information with competitors directly or via an intermediary.

Also likely to be illegal are:

- Discussing with a competitor our appetite or otherwise for any particular tender or any details of how we are intending to respond to a tender
- Any discussions and agreements of a price fixing or bid rigging nature with parties who might be interested in acquiring any land which Kier is also considering whether to acquire
- Exchanging information directly or indirectly with a competitor concerning recent, current or intended bids, sales, prices, discounts or terms of business etc.
- Discussing with a competitor our costs, including the prices we get from any part of the supply chain (whether or not we use them)
- Warning and/or agreeing with a competitor or new market entrant to 'stay off our patch'
- Abusing a dominant market position, for example, to drive competitors out of the market.

The law does not prevent us from gathering market intelligence about our competitors in order to be able to compete effectively. For example, you are permitted to gather information on competitors' sales and prices from publicly available sources and you are also permitted to participate in a benchmarking scheme or survey where an independent third party collects, collates and then redistributes anonymous, aggregated and historic industry-wide sales information to participants. Please see below for more detailed guidance.

Understanding the law

Anti-competitive agreements

Competition law prohibits agreements or understandings between two or more businesses that prevent, restrict or distort competition and may affect trade. The effect on trade and competition can be actual or potential.

Agreements can be written or oral. This is an important point - a conversation over the phone may be an "agreement". It doesn't have to be in writing or legally enforceable. They can be informal arrangements such as a "gentlemen's agreement", or an "understanding" or suggested in e-mail traffic, as well as an understanding arising from the exchange of commercially sensitive information. The competition authorities are able to infer the existence of an agreement or understanding on the basis of relatively limited evidence.

The competition authorities have considerable powers to enable them to investigate breaches of competition law, including carrying out "dawn raids" (guidance available here) on a company's premises as well as individuals' homes and cars, and the searches they undertake are likely to be intrusive, including an in-depth search for any evidence stored on IT systems.

Abuse of a "dominant position"

It is also illegal under competition law for companies with strong market power or a so-called 'dominant position' to exploit their position in such a way that may affect trade within the UK or EU. A company holds a dominant position if it can take business decisions without regard to its competitors or customers. As a general guide, although not the only test, a market share of at least 40-50% or more may indicate dominance.

Kier does not currently hold a dominant position in any market but this may change in the future. It may also be the case that one of our competitors or suppliers is dominant, in which case Kier itself could be disadvantaged by its actions (e.g. a competitor puts in place long 'tie-in' clauses with suppliers which limits our ability to access essential products). If you are concerned about this, please speak to the Group's Compliance or Legal departments for more guidance.

Consequences of breaking the law

The Group

If any member of the Group is found to have breached competition law, the Group may face the following consequences:

- Fines of up to 10% of Group worldwide turnover; and/or
- Follow-on damages actions by third parties who have suffered any loss as a result of the breach of competition law; and/or
- Exclusion from future public tenders; and/or
- Reputational damage.

Individuals

Individuals found guilty of engaging dishonestly in arrangements to fix prices, share markets, limit production or supply, or to rig bids could face the following criminal consequences:

- Up to five years' imprisonment; and/or
- An unlimited fine.

Directors may also be disqualified from acting as company directors for up to 15 years if they were directly involved in breaches, or knew or ought to have known about breaches taking place, including where they "turn a blind eye".

Furthermore, because this is an extraditable offence, even if the activity takes place abroad, individuals can sometimes be brought back to the UK to face prosecution.

Dealing with specific areas of risk

This section of the policy describes some of the specific areas of risk that you may come across:

- Dealing with competitors (including joint working)
- Pricing
- Trade associations
- Gathering information
- Telephone enquiries
- Visitors and inspectors
- Unguarded language

Please consider how the points raised below might apply to you in your part of the business.

Understanding these risks is the first step in avoiding them. If you are ever in any doubt about the right course of action, you should contact the Group's Compliance or Legal departments.

Dealing with competitors

Contact with competitors is a necessary part of our business but is also something which competition authorities examine very closely. Therefore, as soon as you engage in any contact with a competitor (whether in the context of a tender or otherwise), you need to be vigilant and consider the situation carefully. This is especially so if both Kier and the competitor are participating or about to participate in a tender.

Any communication at all between competitors may be interpreted at a later stage as being part of an anti-competitive agreement and you may be called upon to explain why you had the contact with a competitor and what was said, even years later.

Therefore:

- Please consider carefully whether you really need to make contact with the competitor, and ensure that you would be able, at a later stage, to justify why the contact was made; and
- If you do decide contact is necessary, keep a record of what was discussed.

In particular, please do not agree or discuss with a competitor:

- **How** Kier does business - don't discuss commercial terms and conditions or commercially sensitive information (for example, bidding practices or strategy, customers, terms of sale, marketing initiatives, product plans or anything else that you or the competitor might regard as being commercially sensitive information);
- **Where** or **with whom** Kier does business – for example, by dividing up or allocating tenders, projects, territories or customers. Don't agree who should bid or not bid for particular contracts or rotate who should win particular contracts or discuss our appetite or otherwise for any particular tender. Don't agree to boycott particular customers or suppliers or act together to impose conditions on a customer or supplier, and don't warn and/or agree with a competitor or new market entrant to 'stay off our patch';
- The **price** at which Kier does business - don't discuss prices, pricing policies, or any individual elements of your prices (e.g. profit margins, acquisition costs, labour costs, transportation charges or the prices we get from any part of the supply chain);
- Agree or discuss with a competitor, the terms of any tender, including discussing and exchanging information on prices (including a cover price); and
- Exchange information directly or indirectly with a competitor concerning recent, current or intended bids.

If a competitor contacts you with a view to discussing any of the above or anything else which may be construed as anti-competitive, refuse to divulge any information and complete a Contact Report Form, and send it immediately to the Finance Director of your business unit with a copy to David Foster (Group Compliance Director) in the Group Compliance Department. If you inadvertently have a conversation with a third party with whom you later discover Kier is, or may be in, competition within relation to any of the above points, please also complete a Contact Report Form.

Joint working

If Kier and a third party have both expressed a formal interest in the same contract - i.e. have pre-qualified separately and subsequently consider working together with either Kier or the third party acting as a sub-contractor of the other, or as a joint venture on the contract, the Employer/Client should be informed immediately that:

- joint working is being considered; and
- if there is a sub-contractor relationship, that the proposed sub-contractor is withdrawing from the bidding process; or
- if a joint venture is being or has been established that the parties will be working together exclusively and will be submitting a single bid.

A Contact Report Form should be submitted, and clear and complete records kept of the communications with the Employer/Client and with the third party.

Pricing

The majority of investigations and prosecutions for breaches of competition law are related to anti-competitive agreements relating to pricing. For this reason, you should avoid any agreement or discussion with a competitor that could lead to, or be interpreted as having, a potential effect on how we, or our competitors, compete on price.

You should bear in mind that a breach (and a potential criminal offence) takes place when an activity has the **potential** to distort the price – even if the price isn't actually distorted.

Please do not:

- Take part in any discussions with competitors whatsoever about prices (actual or intended), including the giving or taking of a "cover-price";
- Discuss with a contractor our costs or the prices that we pay to any part of the supply chain (whether or not used); and
- Form agreements with competitors to inflate tenders so as to cover the bid costs of the losers.

Trade associations

Trade associations, conferences and other industry events can be useful networking opportunities and important opportunities to discuss legitimate and lawful, non-competitive issues, but the fact that you will have contact with competitors may present risks too.

Therefore:

- Please be aware of the potential to stray inadvertently into discussing topics that could be construed as anti-competitive; and
- If you feel the content of any meeting or conversation may breach the guidelines we have set out above, leave the meeting at the earliest opportunity making it clear to those participating in the meeting or conversation that you are doing so, and complete a Contact Report Form as soon as possible.

Gathering information

All businesses rely on information about markets, opportunities, customers, competitors and so on. Competition law does not discourage a company from gathering market intelligence in order to be able to compete effectively. Kier will only use information on competitors' sales and prices obtained legally.

You may:

- Gather information on competitors' sales and prices from publicly available sources
- Take into account "market gossip", e.g. from sources such as sub-contractors, suppliers, trade associations and trade press. However, do not try and check or verify such "market gossip" with a competitor
- Participate in a benchmarking scheme or survey where an independent third party collects, collates and then redistributes anonymous, aggregated and historic industry-wide sales information to participants, but please consult with the Group's Compliance or Legal departments before doing so.

Dealing with officials from the competition authorities

If officials from the competition authorities arrive to inspect your place of work, it is important to co-operate fully with them. However, you should make sure that you:

- Ask to see the identity card of any inspector(s) – please take details of their names, their organisation and the time they arrived;
- Contact the Group's Compliance or Legal departments immediately; and
- Keep the inspector(s) in the reception area until a director or senior manager arrives.

We have specific procedures to be followed in the event of an investigations (or "dawn raid") by the CMA. These are set out in the Dawn Raid Guidance documents which can be found here.

If you receive a telephone enquiry relating to competition matters, please refer the caller to the Group's Compliance or Legal departments immediately – do not answer any questions.

We will deal with all enquiries honestly and transparently once we are certain that they are genuine, we have identified the caller and why they want the information.

Unguarded language

We recognise that we may have to account for what we say and how we say it. The way we communicate and the language we use can reflect on the whole Group and may form part of the evidence as to whether we have breached competition law or not.

Should Kier be subject to an investigation by a competition authority or legal proceedings involving a third party, many internal documents will be scrutinised. Even those that you might believe to be confidential or personal such as diaries, telephone records or personal note books could be taken away, copied and examined.

Documents in this context are not limited to papers but will include all information recorded and stored electronically in any form, including: laptops, mobile phones, computer hard drives, servers and databases, e-mails (including deleted e-mails), DVDs and memory sticks.

Therefore:

- Take care with your language in all business communications, whether in writing or in the course of telephone conversations or meetings;
- Do not use wording that could be misinterpreted as being a breach of competition law;
- Only disclose information within your authority limit and to those with a valid need to know;
- Never write down things or put into an email that you would be unhappy to be made public; and
- Never say or write anything that could embarrass the company or its clients in any way.

Please do not assume that the absence of any record in our files or IT system will avoid anti- competitive behaviour being found to have taken place, as another company may be able to provide evidence to a competition authority about a communication that took place.

Consequences of breaching this policy

We will act swiftly to investigate and take appropriate disciplinary action against any employee acting in breach of this policy.

Contact Reports

Please fill out a Contact Report form (an example is included in the Appendix to this policy) in the following situations:

- If a competitor contacts you with a view to discussing anything which may be construed as anti-competitive (whether or not such a conversation actually takes place);
- If you do have a conversation with a competitor, which you later realise could be construed as anti- competitive. Such a conversation could occur over the phone, at a face to face meeting, or could simply be an informal conversation, including in a social context;
- If you feel the content of any meeting or conversation at for example a trade association, conference or other industry event breaches the competition guidelines set out in this policy; or
- If you have any concerns whatsoever that anti-competitive behaviour has taken place.

It is particularly important that you complete a form if you are part of the team involved in a tender process and you have contact with any of our competitors for that tender (prior to, during, or otherwise related to the tender). However, the requirement applies to any contact with a competitor.

The purpose of the Contact Report Form is to help Kier to demonstrate that it has not breached competition law if an allegation is ever made against the company in a later investigation; perhaps a long time after the contact took place. Once complete, the Contact Reports must be sent to your Finance Director and copied to David Foster (Group Compliance Director) in the Group Compliance Department.

Document retention and destruction

We are required, by law and by our internal procedures, to keep certain documents and records and these are set out in our Data Retention schedule which is available in MyKier.

In the context of competition issues, if you are notified that Kier is under investigation by the authorities, you must not dispose of or destroy any documents in the areas identified by the Group's Compliance or Legal departments until you are notified otherwise.

Speaking up

If you have a concern or suspect a violation of this policy, we want you to speak up immediately. Speaking up can be a difficult thing to do, so be reassured that all information received will be treated seriously and investigated appropriately. If you act in good faith, believing your information is accurate, we will protect you even if you are wrong. Some concerns can be addressed by speaking to the person whose conduct is the cause for concern. We understand that this is not always possible, so we suggest that you speak to your line manager. If, for whatever reason, you do not feel comfortable doing this, you can contact any member of the Compliance or Legal departments. Alternatively, you may prefer to use the Speak-Up line, which is run by an independent, external company.

Kier contact information:

Speak-up mailbox: speakup@kier.co.uk

David Foster: E-mail david.foster@kier.co.uk Mobile: 07580 905917

Amish Chauhan: E-mail amish.chauhan@kier.co.uk Mobile: 07834 800 193

Safe call, independent speak-up contact information:

- If you are calling from the UK the number is 0800 915 1571
- If you are calling from Hong Kong the number is 800 90 8258
- If you are calling from the UAE the number is 8000 4413376
- If you are calling from Saudi Arabia the number is 800 8442067
- If you are calling from Australia the number is 0011 800 72332255

The line is available 24 hours a day. Calls are free of charge and can be made in complete confidence. You can also make a report via the website: www.safecall.co.uk/report or email kier@safecall.co.uk

Appendix

Contact Report Form

Your Name, Title and Business Unit:

Who called you/met you? Name, Title and Organisation

How was your call/meeting arranged (provide copies of all correspondence)?

Why did the call/meeting take place?

Is there a current tender (or is a tender imminent) relevant to the contact?

What was discussed?

How did you leave things?

What are your concerns?

Date: ……

Attach all relevant correspondence and submit to your Finance Director, copied to david.foster@kier.co.uk as soon as possible and, in any event, within 2 days of becoming aware of the contact.