

Kier Group plc (the "Company")

Remuneration Committee (the "Committee")

Terms of Reference

Role

The role of the Committee is to provide the Company with a formal and transparent procedure for developing its policy on executive remuneration and determining director and senior management¹ remuneration and for deciding on the remuneration packages of individual directors, all as more particularly described below.

Membership/Secretary

The Committee shall consist of a minimum of three (3) members appointed by the board of directors of the Company (the "Board"), on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee. All members of the Committee shall be independent non-executive directors of the Company.

The Chair of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chair. The Chair of the Board shall not be appointed as the Chair of the Committee.

The Chair of the Committee shall be appointed by the Board from amongst the members of the Committee. The Chair of the Committee should have served on a remuneration committee for at least 12 months. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present will elect one of themselves to chair the relevant meeting, who would qualify under these terms of reference to be appointed to that position by the Board.

The Company Secretary or his or her nominee shall act as the secretary of the Committee.

Meetings

The Committee shall meet at least two (2) times per annum and at such other times as it sees fit. The quorum for meetings of the Committee shall be any two (2) members. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Group Human Resources Director and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

Notice of meetings

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair of the Committee.

Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, will be forwarded to each member of the Committee and any other person required to attend in advance of the meeting (in sufficient time to enable consideration of the issues).

Minutes of meetings

The secretary shall minute the proceedings and resolutions of all Committee meetings.

Engagement with shareholders

The Chair of the Committee will attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

¹ 'Senior management' means the Executive Committee or the first layer of management below Board level, including the Company Secretary.

Duties

The Committee shall:

- have delegated responsibility for determining the policy for directors' remuneration and setting remuneration for the Chair of the Board² and Executive Directors and senior management, in accordance with the Principles and Provisions of the UK Corporate Governance Code (the Code);
- establish (i) remuneration schemes (for example, a long-term incentive plan) that (a) promote long-term shareholdings by Executive Directors, (b) provide the Committee with discretion to override formulaic outcomes and (c) enable the Company to recover and/or withhold sums or share awards in specified circumstances, with share awards subject to a total vesting and holding period of at least five years, and (ii) a formal policy for post-employment shareholding requirements, encompassing both unvested and vested shares;
- review workforce remuneration and related policies and the alignment of incentives and rewards with culture and take into account the reward, incentives and conditions available to the workforce when deciding the remuneration of the Executive Directors and senior management;
- approve the design of, and determine targets for, any performance-related annual bonus schemes applicable to the Executive Directors and senior management and approve the total payments to be made under such schemes;
- review the design of all share or share-based incentive plans applicable to the Executive Directors and senior management for approval, where required, by the Board and/or shareholders;
- determine the policy for pension arrangements for the Executive Directors and senior management;
- ensure that the terms on which an Executive Director's employment is terminated, and any payments made to the Executive Director in connection with or following such termination, are within the remuneration policy;
- select, appoint and set the terms of reference for any remuneration consultants to advise the Committee;
- undertake discussions or consultations with institutional investors with respect to the remuneration policy or any elements or aspects of executive remuneration; and
- work and liaise as necessary with other Board committees, ensuring the interaction between committees and with the Board is reviewed regularly.

No director or senior manager shall be involved in any decisions as to their own remuneration outcome. The Board itself or, where required by the articles of association, the shareholders, should determine the remuneration of the non-executive directors of the Company within the limits set in the articles of association.

Reporting responsibilities

The Chair of the Committee shall report to the Board on the proceedings after each Committee meeting on the nature and content of its discussion, recommendations and action to be taken.

The Committee shall produce a report, to be included in the Company's annual report, describing its activities during the preceding financial year, addressing the issues referred to in section 5 of the Code and having regard to the requirements of relevant legislation and regulations which prescribe the contents of such report.

Other matters

The Committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- have access to training, both in the form of an induction programme for new members and on an ongoing basis for all members, to assist members of the Committee to discharge their obligations;

² The remuneration of the Non-Executive Directors shall be decided by the Board, following agreement between the Chair and the Chief Executive (on behalf of the Executive Directors).

- give due consideration to the Code, the FRC's Guidance on Board Effectiveness, the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable laws, regulations and guidance; and
- arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

Authority

The Committee is authorised by the Board to obtain, at the Company's expense, legal or other professional advice on any matters within its terms of reference.

Last updated: August 2020